By Mr. THAYER: A bill (H. R. 9254) granting an increase of pension to Lydia K. Lane; to the Committee on Invalid Pensions.

By Mr. TOLLEY: A bill (H. R. 9255) to correct the naval record of John Lewis Burns; to the Committee on Naval Affairs.

By Mr. TYDINGS: A bill (H. R. 9256) granting a pension to Eli Null; to the Committee on Invalid Pensions.

By Mr. VESTAL: A bill (H. R. 9257) granting an increase of pension to Elizabeth J. Kirk; to the Committee on Invalid Pensions.

By Mr. WHITE of Maine: A bill (H. R. 9258) granting an increase of pension to Dora A. Murphy; to the Committee on Invalid Pensions.

By Mr. WILLIAMS of Illinois: A bill (H. R. 9259) granting a pension to Lizzie Aarons; to the Committee on Invalid Pensions.

By Mr. WURZBACH: A bill (H. R. 9260) to authorize the appointment of Trumpeter Sol Black, retired, to the grade of first sergeant, retired, in the United States Army; to the Committee on Military Affairs.

By Mr. WYANT (by request): A bill (H. R. 9261) for the relief of Sheindel, Morris, Zechari, and Frieda Clateman; to the Committee on Immigration and Naturalization.

Also, a bill (H. R. 9262) granting an increase of pension to Lida Jones; to the Committee on Invalid Pensions.

Also, a bill (H. R. 9263) granting a pension to Christopher H. Williamson; to the Committee on Pensions.

By Mr. ZIHLMAN: A bill (H. R. 9264) granting an increase of pension to Mary Catherine Reid; to the Committee on Invalid Pensions.

PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

652. Petition of the board of aldermen of the city of New York, memorializing the Congress to pass House bill 5, a bill to amend the immigration act of 1924, known as the quota law, etc.; to the Committee on Immigration and Naturalization.

653. By Mr. GARNER of Texas: Petition of druggists of Fort Worth, Tex., favoring legislation for standardization and stabilization of price of drugs, etc.; to the Committee on Interstate and Foreign Commerce.

654. By Mr. GRIFFIN: Petition of the board of aldermen of the city of New York, urging Congress to pass House bill 5, amending the immigration act of 1924, known as the quota law, etc.; to the Committee on Immigration and Naturalization.

655. By Mr. KINDRED: Resolutions adopted by the Chamber of Commerce of the Borough of Queens, disapproving of the expenditure of public funds for the construction of a canal to connect the Great Lakes with the sea outside the boundaries of the United States; to the Committee on Rivers and Harbors.

656. Also, resolutions adopted by the board of aldermen of the city of New York, memorializing the Congress to pass House bill 5, a bill to amend the immigration act of 1924, known as the quota law, etc.; to the Committee on Immigration and Naturalization.

657. By Mr. LEAVITT: Resolution of the Woman's Club of Thompson Falls, Mont., favoring continuance of the provisions of the Sheppard-Towner maternity act; to the Committee on Interstate and Foreign Commerce.

658. By Mr. LITTLE: Petition of citizens of Kansas, Oklahoma, and Missouri petitioning Congress to grant an increase of pension to veterans of Indian wars and their widows, holding that the present rate of $20 per month to the aged veterans and $12 per month to the widows to be wholly inadequate; to the Committee on Pensions.

659. By Mr. O'CONNELL of New York: Petition of the Louis Halphen Post, No. 379, American Legion, of Legion, Tex., favoring the passage of House bill 4474; to the Committee on World War Veterans' Legislation.

660. Also, petition of the Board of Aldermen of the City of New York, favoring the passage of House bill 5, a bill to amend the immigration act of 1924, known as the quota law, etc.; to the Committee on Immigration and Naturalization.

661. By Mr. O'CONNOR of New York: Petition of the board of aldermen of the city of New York, memorializing the Congress to pass House bill 5, to amend the immigration act of 1924; to the Committee on Immigration and Naturalization.

662. By Mr. WATSON: Resolutions passed by the National Guard Association of Pennsylvania, urging the prompt enactment of legislation for the retirement of disabled emergency Army officers; to the Committee on Military Affairs.

SENATE

FRIDAY, *February 12, 1926*

(Legislative day of Monday, February 1, 1926)

The Senate reassembled at 11 o'clock a. m., on the expiration of the recess.

Mr. SMOOT. Mr. President, I think we ought to have a quorum with which to begin the day. I suggest the absence of a quorum.

The VICE PRESIDENT. The Secretary will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Ashurst	Ferris	La Follette	Sackett
Bayard	Fess	Lenroot	Sheppard
Blease	Fletcher	McKellar	Shipstead
Borah	Frazier	McLean	Shortridge
Bratton	George	McMaster	Simmons
Brookhart	Gerry	McNary	Smith
Broussard	Gillett	Metcalf	Smoot
Butler	Glass	Moses	Stephens
Cameron	Goff	Neely	Swanson
Capper	Gooding	Norbeck	Trammell
Copeland	Hale	Norris	Tyson
Couzens	Harreld	Nye	Underwood
Cummins	Harris	Oddie	Walsh
Curtis	Harrison	Overman	Warren
Dale	Heflin	Pepper	Watson
Deneen	Howell	Phipps	Weller
Dill	Jones, Wash.	Pine	Wheeler
Edge	Kendrick	Ransdell	Willis
Edwards	Keyes	Reed, Pa.	
Fernald	King	Robinson, Ind.	

Mr. SHEPPARD. The junior Senator from Texas [Mr. MAYFIELD] is absent on account of illness. This announcement may stand for the day.

Mr. SMOOT. I was requested to announce that the Senator from Oregon [Mr. STANFIELD] is engaged in the Committee on Public Lands and Surveys.

Mr. NORRIS. I wish to announce that the Senator from California [Mr. JOHNSON] is absent, due to illness. He has a general pair with the senior Senator from Arkansas [Mr. ROBINSON]. I will let this announcement stand for the day.

The PRESIDING OFFICER (Mr. WILLIS in the chair). Seventy-eight Senators having answered to their names, a quorum is present.

ANNIVERSARY OF LINCOLN'S BIRTH

Mr. WILLIS (Mr. BUTLER in the chair). Mr. President, inasmuch as this is the anniversary of the birth of a great American, it seems to me not inappropriate that we should pause for a moment to give thought to Abraham Lincoln and his great life. I therefore shall read a very brief editorial which appeared in the Washington Post of this morning, a beautiful tribute to a beautiful character. The title of the editorial is "Abraham Lincoln," and it is as follows:

Every American—yea, every lover of liberty, under whatever flag—should give thanks to-day to Divine Providence for the gift of Abraham Lincoln to the world. He was born the poorest of the poor. His life was a struggle with the odds always apparently against him, and his mortal end was martyrdom. But his soul was a light that could not be quenched by hardship, misfortune, or death. It burns brightly now and will burn while men love liberty.

Here, where Lincoln wrestled with Time and Fate, where he carried the Nation on his shoulders, where he struck off the shackles of a race and cemented the Union with his blood—here in Washington his spirit broods. Look upon the lowly place of his death, gaze upon his memorial, contemplate his works, and remember that it is because of him that government of the people, by the people, for the people has not perished from the earth.

Mr. BAYARD. Mr. President, following the editorial just read by the Senator from Ohio, it would seem to be very much in keeping if I should be allowed a moment to read a sonnet published in the Christian Century of date February 11, 1926, by Thomas Curtis Clark, entitled

LINCOLN AT GETTYSBURG

The whole world came to hear him speak that day
And all the ages sent their scribes to see
And hear what word the new land had to say
Of God and man and truth and liberty.
Homer was there and Socrates and Paul,
Shakespeare and Luther, Pitt, Cavour, and Bright,
With Washington—stanch friends of freedom all;
Nor did he fail: he lifted there a light
For all the earth to see, from fires of truth
That surged within his breast. Yet that crude throng
Of men knew not that through this man uncouth
God spake as through old prophets, stern and strong.
They turned away, these men, but angels bent
From heaven to hear those flaming words, God-sent.

PETITIONS AND MEMORIALS

Mr. EDWARDS. I send to the desk a joint resolution adopted by the Legislature of the State of New Jersey relative to the naval air station at Lakehurst, N. J., which I desire to have printed in the RECORD and referred to the Naval Affairs Committee.

The PRESIDING OFFICER (Mr. WILLIS in the chair). It will be printed in the RECORD under the rule, and referred to the Committee on Naval Affairs.

The joint resolution is as follows:

Joint resolution memorializing the Congress of the United States to retain the naval air station at Lakehurst, N. J.

Whereas the United States Government has at a great expense constructed and maintained a naval air station at Lakehurst, N. J.; and

Whereas attempts are being made to remove the said station from the State of New Jersey, to the loss and detriment of the State: Therefore, be it

Resolved by the Senate and General Assembly of the State of New Jersey:

1. That the Congress of the United States be and the same is hereby requested to maintain the present naval air station at Lakehurst, N. J., and further, to provide for the adequate maintenance thereof.

2. That copies of this joint resolution, duly authenticated, be sent to the Vice President of the United States, the Speaker of the House of Representatives, and to the Senators and Representatives in the Congress of the United States from the State of New Jersey.

3. That the Senators from this State and the Representatives from this State in the Congress of the United States be requested to use every effort to effectuate this resolution.

4. This joint resolution shall take effect immediately.

Approved February 9, 1926.

STATE OF NEW JERSEY,
DEPARTMENT OF STATE.

I, Thomas F. Martin, secretary of state of the State of New Jersey, do hereby certify that the foregoing is a true copy of an act passed by the legislature of this State and approved by the governor the 9th day of February, A. D. 1926, as taken from and compared with the original now on file in my office.

In testimony whereof I have hereunto set my hand and affixed my official seal at Trenton this 10th day of February, 1926.

[SEAL.] THOMAS F. MARTIN,
Secretary of State.

Mr. EDGE subsequently presented a joint resolution adopted by the Legislature of the State of New Jersey, memorializing the Congress to maintain the present naval air station at Lakehurst, N. J., and to provide for the adequate maintenance thereof, which was referred to the Committee on Naval Affairs. (See joint resolution printed in full in to-day's proceedings.)

A resolution similar to that presented by Mr. EDWARDS and Mr. EDGE was subsequently presented by the Vice President and referred to the Committee on Naval Affairs.

Mr. WILLIS presented a petition of sundry members of the Izaak Walton League of America, Chapter No. 96, of Zoar, Ohio, praying for the passage of legislation to regulate the interstate shipment of black bass, etc., which was referred to the Committee on Interstate Commerce.

REPORTS OF COMMITTEES

Mr. HALE, from the Committee on Naval Affairs, to which was referred the bill (S. 2178) for the relief of Harry P. Creekmore, reported it without amendment and submitted a report (Rept. 168) thereon.

Mr. PEPPER, from the Committee on Naval Affairs, to which was referred the bill (H. R. 7348) for the relief of Joseph F. Becker, reported it without amendment and submitted a report (S. 169) thereon.

A bill (H. R. 7348) for the relief of Joseph F. Becker (Rept. No. 169).

Mr. HARRELD, from the Committee on Indian Affairs, to which were referred the following bills, reported them severally without amendment and submitted reports thereon:

A bill (S. 850) for the relief of Robert A. Pickett (Rept. No. 170);

A bill (S. 2334) authorizing the sale and conveyance of certain lands on the Kaw Reservation in Oklahoma (Rept. No. 171);

A bill (H. R. 97) authorizing an appropriation of $50,000 from the tribal funds of the Indians of the Quinaielt Reservation, Wash., for the completion of the road from Taholah to Moclips on said reservation (Rept. No. 172);

A bill (H. R. 5850) authorizing an appropriation for the payment of certain claims due certain members of the Sioux Nation of Indians for damages occasioned by the destruction of their horses (Rept. No. 173); and

A bill (H. R. 6727) to authorize the Secretary of the Interior to issue certificates of competency removing the restrictions against alienation on the inherited lands of the Kansas or Kaw Indians in Oklahoma (Rept. No. 174).

Mr. HARRELD also, from the Committee on Indian Affairs, to which was referred the bill (S. 1550) to appropriate certain tribal funds for the benefit of the Indians of the Fort Peck and Blackfeet Reservations, reported it with an amendment and submitted a report (No. 175) thereon.

He also, from the same committee, to which was referred the bill (S. 1834) providing for remodeling, repairing, and improving the Pawnee Indian school plant, Pawnee, Okla., and providing an appropriation therefor, reported it with amendments and submitted a report (No. 176) thereon.

BILLS AND JOINT RESOLUTION INTRODUCED

Bills and a joint resolution were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. WHEELER:

A bill (S. 3107) conferring jurisdiction upon the Court of Claims to hear, examine, adjudicate, and enter judgment in any claims which the Flathead Tribe or Nation of Indians of Montana may have against the United States, and for other purposes; to the Committee on Indian Affairs.

By Mr. NORRIS:

A bill (S. 3108) to amend section 2 of the act of June 7, 1924 (43 Stat. L. p. 653), as amended by the act of March 3, 1925 (43 Stat. L. p. 1127), entitled "An act to provide for the protection of forest lands, for the reforestation of denuded areas, for the extension of national forests, and for other purposes, in order to promote the continuous production of timber on lands chiefly suitable therefor"; to the Committee on Agriculture and Forestry.

By Mr. COPELAND:

A bill (S. 3109) granting an increase of pension to Joseph P. Carey; to the Committee on Pensions.

By Mr. HALE:

A bill (S. 3110) to authorize certain officers of the United States Navy to accept from the Republic of Haiti the medal of honor and merit; to the Committee on Naval Affairs.

By Mr. FERNALD:

A bill (S. 3111) granting an increase of pension to Emma C. Fuller (with accompanying papers); to the Committee on Pensions.

By Mr. HARRELD:

A bill (S. 3112) for the relief of the estate of Charles Le Roy, deceased; to the Committee on Post Offices and Post Roads.

By Mr. SHEPPARD:

A bill (S. 3113) for the relief of Myron J. Conway, Frank W. Halsey, et al. (with accompanying papers); and

A bill (S. 3114) for the relief of Harry E. Menezes (with accompanying papers); to the Committee on Military Affairs.

By Mr. JONES of Washington:

A joint resolution (S. J. Res. 54) to provide for the printing of the Commerce Yearbook (with an accompanying memorandum); to the Committee on Commerce.

CHANGE OF REFERENCE

On motion of Mr. FERRIS, the Committee on the Judiciary was discharged from the further consideration of the bill (S. 2885) to establish a laboratory for the study of the abnormal classes, and it was referred to the Committee on Education and Labor.

AMENDMENT TO AGRICULTURAL APPROPRIATION BILL

Mr. PHIPPS submitted an amendment proposing to increase the appropriation for soil-fertility investigations into organic causes of infertility and remedial measures, maintenance of productivity, properties, and composition of soil humus, and the transformation and formation of soil humus by soil organisms, from $52,000 to $72,000, intended to be proposed by him to House bill 8264, the Agricultural Department appropriation bill, which was referred to the Committee on Appropriations and ordered to be printed.

PRESIDENTIAL APPROVAL

A message from the President of the United States by Mr. Latta, one of his secretaries, announced that on the 12th instant the President had approved and signed the act (S. 1423) to relinquish the title of the United States to the land in the donation claim of the heirs of J. B. Baudreau, situate in the county of Jackson, State of Mississippi.

A CENTURY OF TRANSPORTATION PROBLEMS (S. DOC. NO. 62)

Mr. OVERMAN. Mr. President, out of order I ask unanimous consent to have printed as a Senate document an address by Clyde B. Aitchison, of the Interstate Commerce Commission, on A Century of Transportation Problems.

The PRESIDING OFFICER (Mr. ODDIE in the chair). Is there objection? The Chair hears none, and it is so ordered.

TAX REDUCTION

The Senate, as in Committee of the Whole, resumed the consideration of the bill (H. R. 1) to reduce and equalize taxation, to provide revenue, and for other purposes.

Mr. BORAH. Mr. President, I have a telegram to which I desire to direct the attention of the Senators who are in charge of the pending bill. I have not myself examined the matter and perhaps would have some difficulty in ascertaining the facts with reference to it. The telegram, however, states that House tax bill, section 203 (c), page 11, has a provision "which will exempt from taxation dividend that was paid on electric bond and share stock early in 1925, and also many other similar dividends." I ask the Senator from Utah in charge of the bill, and those who are particularly familiar with it, to take into consideration this matter, as I shall call it up later.

Mr. SMOOT. Will the Senator from Idaho hand me the telegram?

Mr. BORAH. Certainly.

Mr. NORRIS. Mr. President, I send to the Secretary's desk an amendment, which I offer, and I ask that it may be read.

The PRESIDING OFFICER (Mr. WILLIS in the chair). The amendment proposed by the Senator from Nebraska will be stated.

The CHIEF CLERK. On page 43, after line 13, it is proposed to insert the following proviso:

Provided, That the excess value above $5,000 of any gift, bequest, devise, or inheritance shall be considered and accounted for as gross income: *Provided further*, That any gift, bequest, devise, or inheritance from a husband to his wife or from parent to son or daughter shall not be considered as gross income except as to the excess of such gift, bequest, devise, or inheritance above $50,000.

Mr. SMOOT. Mr. President——

Mr. NORRIS. I yield to the Senator from Utah.

Mr. SMOOT. I have not a copy of that amendment on my files.

Mr. NORRIS. I will give the Senator a copy of the amendment.

Now, Mr. President, I should like to have the attention of the Senate for a few minutes in order that I may explain what this amendment is. The pending bill, commencing on page 41, under that part of the bill relating to personal income taxes, defines gross income and tells, first, what shall be included in gross income, and then gives a list of the items that shall not be included in gross income. One of those lists is numbered (3), on page 43, which as proposed to be amended by the Senate committee reads as follows:

(3) The value of property acquired by gift, bequest, devise, or inheritance (but the income from such property shall be included in gross income).

On that page is an enumeration of the items that shall not be included in gross income. It will be noticed that any gift, devise, or inheritance, however large or from whatever source, is exempt from personal income tax. It is very appropriate that there should be such an exemption in the law when gifts, inheritances, or bequests or whole estates are taxed at some other place in the law, and, I take it, the main reason why this exemption is put in—that is, why such items are not to be included in personal income-tax returns—is because in another place in the present law they are separately taxed, as the law now on the books taxes estates.

That part of the law having been repealed, there being no tax now, so far as the pending bill is concerned, upon gifts, bequests, devises, or inheritances, it seems to me that the reason for this exception absolutely fails. Unless some amendment similar to the one which I have offered is included in the bill, although the estate tax is repealed, income coming to individuals either by gift or by operation of law will go untaxed.

Mr. SIMMONS. I wish to understand the Senator's proposition. Does the Senator mean to say that if there shall be no inheritance tax, then the heir or devisee under a will shall be required to return as earnings the entire amount he shall receive?

Mr. NORRIS. The entire amount that he receives.

Mr. SIMMONS. And pay an income tax upon that as gain?

Mr. NORRIS. Pay an income tax upon that.

Mr. SIMMONS. Is he to pay an income tax on it as a gain?

Mr. NORRIS. He pays on it as income.

Mr. SIMMONS. He will pay an income tax on it as so much earned or so much profit arising from his operations?

Mr. NORRIS. He will pay it just the same as he pays on any other item of income; it is income.

Mr. SIMMONS. I merely wish to understand the Senator's proposal.

Mr. NORRIS. Of course it is not earned, and he pays on it as income.

Mr. FLETCHER. Mr. President, do I understand the Senator's amendment to mean that he is substituting a succession tax really in place of an estate tax?

Mr. NORRIS. It has that effect. It would in effect be an inheritance tax instead of an estate tax. It would not go up nearly so high as the present estate tax does. It would be accounted for as gross income; it would be subject to all the exemptions that the gross income is subject to, and then it would be taxed like any other income subject also to the exemptions provided in the amendment in addition to the exemptions that are provided by law on personal incomes. Do I make it plain now?

Mr. SIMMONS. Does the Senator also mean that if a person is the recipient of a gift not dependent upon the death of anybody he shall be required to return that as so much income on his part and pay a tax on it?

Mr. NORRIS. Yes, sir; that is just what it means, subject, of course, to the exemptions provided by law. There are exemptions that apply to income in the income tax law. This would be subject to all of them, because the amount received would be a part of the gross income, and it would be subject, in addition to those exemptions, to the exemptions provided in the amendment itself.

Mr. WALSH. Mr. President——

The PRESIDING OFFICER. Does the Senator from Nebraska yield to the Senator from Montana?

Mr. NORRIS. I yield to the Senator.

Mr. WALSH. The Senator from New Mexico [Mr. JONES] has proposed an amendment which was to take the place of the estate tax, entitled an inheritance tax, which imposes upon inheritances practically the same rates of tax which are imposed by the bill upon incomes generally, and graduated in the same way. I take it that the amendment now offered by the Senator from Nebraska will accomplish practically the same result as would the Jones amendment.

Mr. NORRIS. Yes, sir.

Mr. SMOOT. No; I do not think it would.

Mr. KING. I do not think so.

Mr. NORRIS. Oh, there will be some difference between the two, but if the Jones amendment were agreed to and should become a part of the bill I would not offer my amendment.

Mr. SIMMONS. The principle is the same.

Mr. NORRIS. Yes.

Mr. SIMMONS. But the tax under the amendment of the Senator from Nebraska is higher.

Mr. NORRIS. The tax is higher under the Jones amendment.

Mr. SIMMONS. That is not my impression.

Mr. NORRIS. My amendment provides the same rates as on the income up to the last bracket, so that the rate may reach 20 per cent.

Mr. SIMMONS. If the Senator will pardon me——

Mr. NORRIS. By turning to the bill I can tell the Senator exactly what it would be.

Mr. SIMMONS. I have not read the Jones amendment recently. The Senator from New Mexico introduced it on the 24th of January, I think, but I have forgotten it. I am sure, however, the Jones amendment, like all amendments of that character, began by levying a very low tax upon small estates, and rather a heavy tax upon the larger estates.

Mr. NORRIS. That is what this does.

Mr. SIMMONS. I do not think that the maximum in the Jones amendment went very high, but I do not recall the exact rates.

Mr. NORRIS. I will ask the Senator from Montana to tell us. I think he has the Jones amendment before him.

Mr. WALSH. I have the Jones amendment before me, and the rate is 21 per cent upon inheritances above $5,000,000 and it is 11 per cent on inheritances between $1,000,000 and $2,000,000. It begins at 1 per cent at $50,000.

Mr. SIMMONS. Senators will readily see that under the Jones amendment on inheritances between a million and two

million the recipient would pay 11 per cent, while under the revenue law imposing taxes upon individuals if inheritances were returned as income they would pay at that point, I suppose, a rate of 30-odd per cent.

Mr. NORRIS. What?

Mr. SIMMONS. Thirty-odd per cent.

Mr. NORRIS. No; it never goes above 20 per cent.

Mr. SIMMONS. I mean under the act of 1924, the present law.

Mr. NORRIS. I am not speaking about the present law.

Mr. SIMMONS. Under the pending bill there would be a flat tax of 20 per cent, of course.

Mr. NORRIS. Yes; and it would never go above that.

Mr. SIMMONS. That would be 20 per cent against 11 per cent.

Mr. NORRIS. Yes.

Mr. SIMMONS. Then what I said is true; the rates under the amendment of the Senator from Nebraska are higher.

Mr. NORRIS. All right; I am glad of it. Anybody receiving a million dollars from a bequest will not be called upon to pay an unreasonable tax if he pays on the excess of $100,000 20 per cent. A bequest, gift, or devise, with very few exceptions, comes without any effort on the part of the recipient. That is especially true of the large gifts. The large inheritances come without any effort. They come without even the crooking of a finger. If somebody should die and leave me $1,000,000, under the bill as it now stands that would be absolutely tax free. If my amendment were agreed to, the tax on it would go up gradually, and the excess above $100,000 would pay a tax of 20 per cent. Would that be a hardship on anybody who gets something for nothing? Is it right for those who have to toil and work and then pay an income tax on their savings that the man who neither toils nor spins should go tax free if somebody gives him something.

Let us take two men and start them out together. One of them works. He may be a lawyer; he may be a doctor; he may be a farmer; he may be a business man; but he toils night and day, saves his money, and at the end of the year, let us say, he has a net income of $12,000. He is taxed on it. He has to pay a tax on it.

Now, take the other man, who does nothing. He may be a loafer. He may be a perfectly respectable man, but he does nothing in the way of producing anything for himself or anybody else. He does not make a cent. He does not do a particle of work during the year, either with his hands or with his brain; but some rich man leaves him $12,000 as a pure gift. That is tax free under this bill. He gets it without the payment of a penny. Why should not that be part of his income? Why should he not pay a tax on it the same as the man who makes a like amount of money by his toil and his labor?

Let us say that a man who is operating a mercantile establishment, running a store in the city of Washington, makes out of his business $12,000 in a year. He is taxed for it. I am not complaining about it; but that is the law. I think he ought to be taxed. That is the law. He must pay a tax on his own energy, on his own efforts. He pays that out of his net income. Is it right or is it fair to that man that some other fellow who does not do anything, who lives perhaps on the income of a parent who is supporting him, and the parent dies during the year and gives to this son of his $12,000, gets it tax free? Can any man defend that? Is there any place in the world where that kind of a law can be defended? Is there any justice in that kind of a law?

Do you say it is a hardship for him to pay the tax? What about a man who works and makes the money? Is it a hardship on him? If $12,000 came to a man out of thin air, would it not be a little easier for him to pay a couple of hundred dollars tax on that $12,000 than for the man who had to earn it? Would it not be fair that he should, especially as against the millions of men who are paying similar taxes on what they earn and what they make by their toil?

Suppose the amount is larger. Suppose he gets out of thin air a million dollars. Is it any hardship to him to pay 20 per cent on the excess of that million dollars above $100,000, and a smaller rate running down?

Now, let us take up the man who is pleading for the widow that we have heard of several times in the debate, whose heart bleeds for the poor orphan and for the widow. Where will this amendment leave them?

Suppose the widow gets $100,000. That is counted as gross income. In the first place, she has all the exemptions allowed by law. In the next place, she has an exemption, free of tax, of $50,000, and a very light tax on what is left, because it only goes to $100,000. It would not be as much as $50,000, because other exemptions would come in. There would be, perhaps, $45,000 that would be taxed at a very low rate, the lowest bracket in the income tax; and if Senators think that exemption is not enough, I have not any objection to making it $100,000. I do not want to impose any hardship on the widow. If she ought to have $100,000 tax free, let us give it to her; but you do not give it to her tax free if her husband made that money by his work and his labor. He pays the income tax even though he dies before it is actually paid. In that event it is taken out of his estate before the widow gets it, and it is taken out at the same rate at which this amendment provides that it shall be taken out.

Mr. DILL. Mr. President, will the Senator yield?

Mr. NORRIS. I yield to the Senator from Washington.

Mr. DILL. I desire to suggest that this amendment has the added value of taking out the estate or inheritance tax of a State before any Federal burden is placed upon the amount received. In other words, a State that has a large estate tax would take its tax out of the amount received by the widow or by the devisee or by the person to whom it went before it would be considered as income at all.

Mr. NORRIS. Yes.

Mr. DILL. And to that extent the burden of the Federal tax would be lessened and it would be equalized.

Mr. NORRIS. It would; and, Senators, remember that this tax would be less than an estate tax, even if the rates were absolutely the same. This does not tax the whole estate. It is possible under this amendment for a man with a million-dollar estate to escape taxation entirely if it is divided up into small enough amounts to come within the exemption.

The point made by the Senator from Washington ought to receive consideration here. And right along that line I want to call your attention to the fact that if we had a 20 per cent estate tax that applied to all the estate, and we repealed it and provided, as this amendment does, in a case where a man, let us say, had $100,000, and he divided it up among four children and gave them $25,000 each, they would all be free from tax. If we had an estate tax it would tax the estate, and because of its size it would get up into the larger brackets; but in the case I have put, where an estate of $100,000 is divided into four equal parts, each of those parts would be entirely tax free.

Suppose a man dies with an estate of $150,000, and he has five children and a wife, and suppose he gives to the wife $50,000 and he divides the $100,000 up among the five children. That would give each one of them $20,000. How would that work out? They would all be free from tax, because the exemption provided in this amendment is not only $50,000 to the wife but $50,000 to every child.

Let us take a larger estate. Suppose the man died leaving $200,000, and suppose he gave his wife $50,000. That would leave $150,000. Let us suppose that he had three children, and he gave each one of them $50,000. They would not pay a cent tax—not one penny—under this amendment. It would all be exempt.

Personally, I do not think those exemptions ought to be so liberal, because I think the money ought to be accounted for as income and ought to take the same exemptions that everybody else has to take in his income tax. But if it is liberality you want, and if there is not enough liberality here, and there is any objection to an exemption of $50,000 to the widow on the ground that it is too small, let us exempt her to the amount of $100,000. I think that meets the widow and the orphan argument.

When we get up into the big estates, $10,000,000 or $40,000,000, if we had an estate tax it would be levied on the entire amount; but in this case if the man had seven or eight children with a $1,000,000 estate he would divide it up into amounts that would be somewhere near $100,000 apiece, perhaps.

If the bequests were to his children in each case, $50,000 would be exempt, and only $50,000 would pay an income tax at the very lowest rate in the lowest bracket; and if each one of these heirs that got $100,000 had five children they would be entitled to the exemption for every child. If each one had a wife, they would be entitled to the exemption for the wife. They would be entitled to the flat exemption provided for in this bill.

I should like to have Senators, I should like to have anybody, point out the injustice of this. I should like to have somebody rise here and tell where this would be a hardship upon anybody. I should like to have anybody, if there is an argument against it, tell why the man who makes an income by his labor and his toil should be taxed, while the man who gets it for nothing should go scot-free, without any taxation.

But that is not all. This amendment would raise a good deal of revenue. I can not say how much it would raise. I have made no computation. It has been difficult to say, because I presume the experience of the estate tax law that we have

had would not be much of a guide here, because this would be much less. The rate would be much less, because it is figured on amounts that are always smaller; but it would raise a large amount of revenue.

Mr. SMOOT. A quarter of a million dollars

Mr. NORRIS. A quarter of a million dollars in a year?

Mr. SMOOT. Not more than that.

Mr. NORRIS. The Senator from Utah says it would raise a quarter of a million dollars. I think it would raise several million dollars, but I am going to take his figure now. Suppose it raised only a quarter of a million dollars. With very few exceptions it comes from people who are getting something for nothing. Why should they not pay? Why, that is a bagatelle. My own idea is that it would raise several million dollars. It would help to relieve some of the taxes that have been excluded from this bill. Secretary Mellon, I understand, says that we have reduced so many taxes that there will be a deficit next year, or words to that effect. This will help to relieve it, and it will come from a source where there will never be any agony, where there will never be any effort, where there will never be any hardship, in the payment of the light tax that this amendment imposes.

Mr. President, I am not going to take up the time of the Senate unless some one can produce here something in the way of an objection to this kind of a tax. I have not heard any. I do not believe that any can be produced. For the present I yield the floor, in the hope that if there is any valid and good objection to this amendment, somebody will state it.

Mr. SMOOT. Mr. President, just a word.

The Senator from Nebraska says this is no hardship; that these amounts will escape taxation unless we adopt this amendment. Why, Mr. President, if this amendment is adopted we will be imposing triple taxation. The man who made the money, as long as he was alive, was taxed on all of his income. The money that he gets is taxed under the law to-day.

Mr. NORRIS. Mr. President, may I ask the Senator a question?

Mr. SMOOT. Yes.

Mr. NORRIS. Suppose he made his money by the investment of his estate in tax-exempt securities?

Mr. SMOOT. Well, that may be one case where he would not be taxed.

Mr. NORRIS. All right. There has been a good deal said by those who are opposing high income taxes to the effect that they drive money into tax-free securities and it thus escapes taxation. That would not apply here. Then, another thing, if the Senator will permit me: He says this is not only double but triple taxation.

Mr. SMOOT. Yes.

Mr. NORRIS. The same thing that the Senator has said about the inheritance tax or estate tax will apply to every inheritance tax and every estate tax that we have ever had.

Mr. SMOOT. It goes further in this respect. The gift tax was never thought of or imposed at a time when there was an estate tax. The gift tax was put into the law for the purpose of preventing the evasion of estate taxes by giving the money away. That is the object of a gift tax. If we have no estate tax, there is no reason why the gift tax should be on the statute books. All we have to do is to disagree to the estate tax. Then the House provision will be passed, and that is provided for in the House text in these words:

> Where within two years prior to his death and without such a consideration the decedent has made a transfer or transfers by trust or otherwise, of any of his property, or an interest therein, not admitted or shown to have been made in contemplation of or intended to take effect in possession or enjoyment at or after his death, and the value or aggregate value, at the time of such death, of the property or interest so transferred to any one person is in excess of $5,000, then, to the extent of such excess, such transfer or transfers shall be deemed and held to have been made in contemplation of death within the meaning of this title.

Mr. NORRIS. May I interrupt the Senator again?

Mr. SMOOT. Certainly.

Mr. NORRIS. Does the Senator think that is an argument against this amendment? Nobody expects that when the bill goes to conference this amendment and the House provision taxing inheritances will both remain in the bill. As I said frankly, if we had an estate tax, taxing this money otherwise, or an inheritance tax, taxing it otherwise, I would not offer the amendment.

Mr. SMOOT. If we do not have an estate tax, then there is no necessity for the gift tax.

Mr. NORRIS. Yes; there is just as much reason. Parties can avoid this tax by a gift, if it is not included, just the same as in the case of an estate tax. The point I want to make is this, if the Senator will permit me, that he has called attention to what is in the bill as it passed the House. We do not expect both these provisions to remain in the bill.

Mr. SMOOT. I called it to the attention of the Senate because of the fact that if there is no estate tax there is no reason for a gift tax.

Mr. NORRIS. There is a reason for a gift tax if there is an estate or an inheritance tax. This provision is in the nature of an inheritance tax, and therefore a gift tax is just as necessary as though it were an estate tax. Besides——

Mr. SMOOT. I will ask the Senator to wait until I answer his question.

Mr. NORRIS. I beg the Senator's pardon; I do not want to intrude on his time.

Mr. SMOOT. The Senator knows very well that I have no objection to his interrupting me.

The Senate of the United States, through its action, has decided that there should be no estate tax, and in that action it has stricken from the bill as it passed the House the provision I have just read. When it goes into conference it will be a part of the bill.

Mr. DILL. Mr. President, is the Senator arguing against the amendment offered by the Senator from Nebraska on the theory that the conference is going to adopt the House provision?

Mr. SMOOT. No. If the Senator will permit, I want to answer the question of the Senator from Nebraska. I say this is triple taxation, and I want to show that it is.

Mr. DILL. The Senator was stating, as a reason for not adopting the amendment, the fact that the House provision might be adopted in conference. Is the Senator now saying that the Senate conferees will accept the House provision?

Mr. SMOOT. I did not say any such thing.

Mr. DILL. Then why present it as an argument?

Mr. SMOOT. I said that if they did, the House provision would take care of gifts, but if they did not accept it, there was no need of the gift tax.

Mr. NORRIS. Will not the Senator concede that there is necessity for a gift tax if we have an inheritance tax?

Mr. SMOOT. No; I do not think there is the least reason for it.

Mr. NORRIS. Then the Senator would permit anyone to evade the payment of an inheritance tax entirely by simply making gifts.

Mr. SMOOT. If there were no inheritance tax, there would be no need of it.

Mr. NORRIS. I admit that; if there is neither an estate tax nor an inheritance tax, then we do not want any gift tax. I concede that.

Mr. SMOOT. That is just my position.

Mr. NORRIS. But if this amendment goes into the bill, we will have something in the nature of an inheritance tax, and the gift tax must remain in the bill to make it effective.

Mr. SMOOT. If the Senate provision shall be disagreed to in conference, as I said before, then, of course, the House provision taking care of this tax will be in the law.

Mr. REED of Pennsylvania. Mr. President, will the Senator permit a suggestion?

Mr. SMOOT. Certainly.

Mr. REED of Pennsylvania. I think both the Senators are forgetting that gifts which are made to defeat the inheritance tax are perfectly well dealt with without any gift tax. That provision is very liberal in the inhertance tax law that is now in effect. A gift made to defeat the inheritance tax is clearly caught by that. We do not need a gift tax to accomplish it.

Mr. KING. Mr. President, will my colleague yield?

The PRESIDING OFFICER. Does the Senator from Utah yield to his colleague?

Mr. SMOOT. I yield.

Mr. KING. To see if I understand the Senator from Nebraska, permit me to ask this question: If we eliminate from the bill all estate taxes and all inheritance taxes, so that if a man should die the next day after the passage of the bill his estate would pay no tax on his estate, and there would be no inheritance tax. I do not quite follow the Senator in saying that the bill takes care of gifts in futuro.

Mr. REED of Pennsylvania. I did not mean to say that. What I mean to say is that the present inheritance tax law, which is in effect at this minute, is so reenforced by the provision relating to gifts made in contemplation of death that the gift tax is really unnecessary, even under the present law.

If the Senate has to recede on its repeal of the estate tax—and I do not for one minute admit that I think that is probable——

Mr. KING. I hope the Senate conferees will be compelled to recede.

Mr. REED of Pennsylvania. The Senator is welcome to his hopes, and he knows mine are directly contrary to his. I hope the conferees of the Senate will stand adamant against any yielding on that point. But if they have to yield, then gifts in contemplation of death are adequately dealt with in the text of the House.

Mr. SMOOT. That is exactly what I stated.

Mr. KING. May I ask my colleague a question, and it is really a reply to the Senator from Pennsylvania? Assume that we agree to the amendment offered by the Senator from Nebraska, and in conference the conferees have before them, first, the disagreeing vote of the Senate on the House provision, and have also the amendment offered by the Senator from Nebraska, the whole subject will be there before the conferees; and if the conferees recommend a recession from the action of the Senate and the acceptance of the House provision, necessarily the amendment offered by the Senator from Nebraska would also go out, and we would revert to the House provision; whereas if we accepted the action of the Finance Committee in rejecting the House provision, we might fall back upon, and the House might accept, the amendment offered by the Senator from Nebraska.

Mr. SMOOT. But the Senator from Nebraska himself admits that there is no necessity of it in that case, and why undertake to put in the bill something which we know is going to do no good?

Mr. KING. I do not quite follow the Senator from Nebraska in making that broad admission.

Mr. SMOOT. I think the Senator from Nebraska is absolutely correct.

Mr. LENROOT. The Senator from Nebraska includes inheritances in his amendment?

Mr. NORRIS. Yes; of course I do.

Mr. SMOOT. I understood the Senator from Nebraska to say that if there were no estate tax there would be no necessity for a gift tax.

Mr. NORRIS. If there is no estate tax and no inheritance tax.

Mr. SMOOT. It is the same thing.

Mr. NORRIS. In other words, if the provision of the House is wiped out in conference, as we wiped it out in the Senate, and this amendment is defeated here, then there will be in the bill neither inheritance tax nor estate tax, and there will be no need for a gift tax.

Mr. SMOOT. There is no need of a gift tax.

Mr. NORRIS. But there is just as much reason for a gift tax with this provision in as there would be for a gift tax with the House provision in.

Mr. SMOOT. I said that this amendment is triple taxation, and I want to explain it.

Mr. HOWELL. Mr. President, will the Senator yield?

Mr. SMOOT. Just wait until I explain that, and then I will yield.

First, the man who makes the money, while he is making it, pays a tax upon every penny of his income. If that money comes to an individual through a bequest or by inheritance, then the one who receives the money is taxed by the State. There are only three States in the Union which are not in a position to impose such a tax.

Mr. NORRIS. This amendment does not tax the man who made the money.

Mr. SMOOT. But he has already been taxed upon the money which he gives away.

Mr. NORRIS. No.

Mr. SMOOT. On every dollar he makes.

Mr. NORRIS. He pays a tax just as anybody else does.

Mr. SMOOT. Certainly; he is taxed.

Mr. NORRIS. We are proposing to tax the man who gets it, and gets it for nothing.

Mr. SMOOT. But the State does that. The State taxes him.

Mr. DILL. Not all the States.

Mr. SMOOT. With the exception of three.

Mr. DILL. Well, there are those three.

Mr. SMOOT. We are not legislating for three States. That is a matter for the States to decide. But practically all the States are taxing estates. Under the amendment, if it is agreed to, we have the third tax to be imposed, and I do not think that is justified.

Mr. DILL. The Senator will agree that that is not in addition to what the inheritance tax would be. The Senator's argument applies to the Federal inheritance tax in the same way.

Mr. HOWELL. Mr. President, I want to ask the Senator a question. How long ago did the majority of the States adopt the inheritance tax?

Mr. SMOOT. I do not know which State has most recently passed such a tax law.

Mr. HOWELL. I mean the earliest State.

Mr. REED of Pennsylvania. Pennsylvania adopted one in 1834.

Mr. HOWELL. Has it been in constant effect since that time?

Mr. REED of Pennsylvania. Yes.

Mr. DILL. I may say to the Senator that the Federal Government had an inheritance tax in 1797.

Mr. HOWELL. But that was repealed subsequently.

Mr. SMOOT. Of course, it was a war measure, and during every war we have had from that time down to this date we have always had an estate or inheritance tax, and I say to the Senator that we always will have one whenever we are in war.

Mr. DILL. We ought to have one until the war debt is paid.

Mr. HOWELL. I want to call the attention of the Senator from Utah to the fact that there are thousands of estates in this country to-day that were not earned by the present beneficiaries.

Mr. SMOOT. But those estates have been paying right along on the income from the estates.

Mr. HOWELL. True, but I am talking about the principal. The principal was inherited before we proceeded to levy an income tax and an inheritance tax. Therefore, there are thousands of estates in the country which would not suffer triple taxation if a provision such as the amendment presented by my colleague were adopted.

Mr. SMOOT. The third step in taxation is when the estate is transferred to the party receiving it. There is no doubt about that at all.

Mr. HOWELL. But the Senator is stressing the idea that because of national estate taxes, income taxes, and so on, there would be triple taxation.

Mr. SMOOT. Outside of the income tax. I am speaking only of the tax first paid by the man himself, or the woman, or whoever it may be; then, when the estate is settled, the State in which the decedent lives imposes a tax. That is the second tax. Now, if this amendment shall be adopted, there will be a third tax.

Mr. HOWELL. I know that in the State of Nebraska inheritance taxes have only recently been imposed, and I think that is true of a majority of the States of the Union. There are thousands of estates in this country in the hands of individuals who have not increased the estates, who have even decreased them, and yet they will be passed on, and those who receive the estates will not pay a dollar into the United States Treasury.

Mr. NORRIS. Will the Senator yield to me for a suggestion?

Mr. HOWELL. Certainly.

Mr. NORRIS. The only argument on this proposition which the Senator from Utah has made is against any inheritance or estate taxes, either by a State or by the Federal Government.

Mr. SMOOT. I did not refer to such a tax imposed by a State at all.

Mr. NORRIS. I know the Senator did not, but his argument will apply to every estate tax and every inheritance tax levied by any State in the Union.

Mr. SMOOT. It does not apply at all, because that is not a tax in the third degree.

Mr. NORRIS. After all, those people who are now flooding the country with propaganda against a Federal inheritance tax law, and using the argument that the States want to use that kind of a law to raise revenue, are in reality behind a proposition, whether they know it or not, to eliminate all taxes of that kind, either State or Federal.

Mr. HOWELL. I think there is no question about that.

Mr. LENROOT. Mr. President, I rise for information. I have never been quite able to understand the theory upon which a gift, wholly apart from the question of estate or inheritance tax, should not be taxed. To illustrate: A man may sell to another a piece of property to-day for $1,000. The next day the vendee may sell that property for $101,000, and he will have to account for $100,000 and pay a tax of $12,500. But if the vendor, instead of selling it for $1,000, should give it to the

other man and the other man should sell it for $101,000, he would pay not one penny of tax.

Mr. REED of Pennsylvania. Mr. President, will the Senator yield?

Mr. LENROOT. Certainly.

Mr. REED of Pennsylvania. The tax law at present provides very clearly in the capital account provision that the donee pays the same tax as if the donor sold at his price. In other words, he is charged with the gain between the cost to the donor and the selling price of the donee.

Mr. LENROOT. Do they value then every piece of property when sold and ascertain the gain only between the value of the property and the selling price, and not upon the basis of cost?

Mr. REED of Pennsylvania. No; perhaps the Senator did not understand me. Where the property is sold by a donee he must pay a tax on the capital gain, which is calculated as the difference between his sale price and his donor's cost price or the March 1, 1913, value.

Mr. LENROOT. We will take this case then: Suppose a donor has inherited?

Mr. REED of Pennsylvania. Then the value at the instant of the inheritance fixes the cost to the donor. That is his capital allowance.

Mr. LENROOT. I was not clear upon that point, and that is what I wished to ascertain.

Mr. KING. Mr. President, may I inquire of the Senator from Pennsylvania if the principle for which he is contending will continue under the present law?

Mr. REED of Pennsylvania. It is not a principle for which I am contending. It is a clause in the income tax law, which is in the present law and is continued by the House, and we have concurred in it. It will continue in effect.

Mr. KING. Suppose the property has been acquired since 1913. Suppose it was acquired yesterday. For instance, suppose I acquired a piece of property yesterday by gift and I give it to-day to the Senator from Pennsylvania. What tax do I pay and what tax does the Senator pay?

Mr. REED of Pennsylvania. The Senator from Utah would pay no tax at all unless under the gift-tax provision.

Mr. KING. I am assuming that that is eliminated.

Mr. REED of Pennsylvania. If I were to sell it I would relate back my cost value to the Senator's donor's original cost. A series of gifts does not change it. It goes back to the first cost, to the man who first gave value for it.

Mr. KING. With a multiplicity of transactions, the numerous transfers of personal and real estate, particularly in cities such as New York, where transfers of the same piece of property are two or three in the course of a week, does not the Senator see that when three or four or five or six years have gone by we lose track of the original cost price, and it is absolutely impossible, unless we have proofs upon every person and a personnel far in excess of any that we now have, to go back to the original transferor and the original transferee?

Mr. REED of Pennsylvania. The transfers that take place so often are not gifts. Those are sales in the market, and every one of them establishes a new cost basis for the purpose of calculating capital gain. Property is not given two or three times in a week, although real-estate speculators frequently sell it that often. As a matter of practice—and the eating of the pudding after all is the test—the Bureau of Internal Revenue does not have any trouble in enforcing the provision.

Mr. KING. I can not conceive of its being so easily enforced. My opinion is—and that opinion was confirmed by the rather superficial view which we were able to give to real-estate transactions in the Couzens committee—that the provision had lost money to the Government through such real-estate transactions, whether we denominate them gifts in some instances or sales in other instances.

Mr. REED of Pennsylvania. The greatest loss comes from the division of property between husband and wife. I believe we would increase the yield from the income tax 10 per cent if we would put through such a provision as the House adopted in 1921, requiring all husbands and all wives to consolidate their returns. That is the source of the greatest evasion of the income tax to-day. It is infinitely worse than the evasion through tax-exempt securities. Regardless of the local law, whether it is a community State like Louisiana or an old common-law State like Florida, where everything the wife has belongs to the husband, if I were writing the law freely, I would require every husband and wife to consolidate their returns.

Mr. DILL. Mr. President, I was very much interested in the objection which the Senator from Utah [Mr. SMOOT] raised to the amendment proposed by the Senator from Nebraska [Mr. NORRIS], because it showed what was in his mind, as well as in the mind of the Senator from Pennsylvania [Mr. REED]. They immediately opposed it on the ground that the House provision for an inheritance tax would make this an additional kind of tax.

Mr. SMOOT. Estate tax, not inheritance tax.

Mr. DILL. All of which indicates that they have now in mind that they will have to accede to the inheritance-tax provision of the House. In other words, they are thinking now in terms of what the condition of the bill will be when it comes back from conference, and I can not help remarking about it, because it shows that the fear of not having enough revenue is not well grounded. In other words, the fear that is expressed that there will not be enough revenue out of the bill because of cutting off the automobile tax and the admissions tax is not a serious question. The Senators realize that the House is going to insist upon the inheritance-tax provision, and they are thinking in their own minds that they will probably be compelled to accept it. Of course, the Senator from Pennsylvania said he wanted the Senate conferees to stand adamant, but he knows that time is the essence of the situation, and that rather than stand out too long they will accept the provision.

Mr. REED of Pennsylvania. The House is just as anxious to have a tax bill as is the Senate.

Mr. DILL. And the House is much more anxious to have an inheritance tax than the Senate is opposed to having it.

Mr. REED of Pennsylvania. And the Senate is just as able to stand pat as is the House.

Mr. DILL. I do not think, with due deference to the adamant attitude of the conferees on the part of the Senate, that they will stand out very long against the House.

Mr. SMOOT. That is merely the Senator's opinion.

Mr. DILL. Yes; it is the Senator's opinion, and I think it will be borne out when the conference report comes back.

I want to say a word about the justice of the amendment proposed by the Senator from Nebraska. I recognize, as I think everyone must recognize, that a straight inheritance tax is hardly justice to some States that have a very high State inheritance tax. For instance, my own State has a very high inheritance tax on inheritances over $500,000. To leave the same estate or inheritance tax upon the estates in my State as compared with a State like Florida, which has none at all, does seem a heavy burden to place upon my State. The amendment offered by the Senator from Nebraska would seem to meet that situation. According to the amendment proposed by the Senator from Nebraska, the recipient of an inheritance will not be required to turn in as income the inheritance or estate tax that has been taken out by the State authorities, and thus there will be equalized the taxes that are to be paid by the recipients of the inheritance under this kind of an amendment, a condition that would not exist under the ordinary inheritance-tax provision.

The Senator from Utah [Mr. SMOOT], who is extremely clever in creating arguments in defense of his bill, said this would be triple taxation, and then he proceeded to add up different kinds of taxes. While he did that I was thinking of the multiple taxation that we are paying in the country, not in the form of estate taxes, either. I was thinking of the multiple taxation that I paid, for instance, on the suit of clothes that I wear, the multiple taxation that is pyramided in the form of tariff taxes in the country, not only upon all goods that are imported but all of the tariff-protected articles made by domestic concerns. We not only pay the tariff tax, but to every hand through which it passes we pay an additional tax in the form of a profit made by the man who handles it.

The Senator is greatly concerned about what he calls a triple tax on the great estates that run into the millions, but he has no interest in the multiple taxation that falls upon the great mass of the people of the country by virtue of an unjust tariff tax.

The opposition to the amendment of the Senator from Nebraska simply shows that those in charge of the bill are determined, if they can, to prevent great wealth bearing any additional tax at all. That is all it shows. They are opposed to any kind of a tax that would reach those who receive the great inheritances. There is no tax less burdensome than the tax upon the money that goes to a man by descent or by will or by gift. He does absolutely nothing for it except to await the operation of law. When he lives under a government, when he lives in a country in which society is so organized that by the mere operation of law literally thousands and millions of dollars can come to him without effort, in the face of the great war debt upon us and the necessity for raising the billions of dollars that must be raised, I can not understand the spirit of justice that dominates a man's mind who

would continue to tax the small income, continue to tax the things that are needed in every-day life, and take the tax off of the very large fortunes.

Mr. President, I have no doubt but that the amendment of the Senator from Nebraska will be voted down. There is no desire here to discuss this form of taxation. There is only a purpose here to relieve the great estates and the great incomes of the country.

The Senator from Utah said that we had an inheritance tax in time of war. Does he not realize that to-day we are paying $1,250,000,000 in interest on the war debt alone? The Senator from Utah shakes his head.

Mr. SMOOT. Yes; I shake my head because we are not paying that much. The Senator said we are paying $1,250,000,000. We are paying $820,000,000.

Mr. DILL. I am glad it has been cut down so much. That is as much as we were spending to run the whole Government before the war.

Mr. SMOOT. Certainly, and the Senator is no more anxious to get the debt paid than I am.

Mr. DILL. No; but I am more anxious that it shall be paid by great wealth, by the men who have accumulated millions, than I am that the millions of people shall pay it in small amounts.

Mr. SMOOT. There are only four million-odd people who have any tax to pay at all.

Mr. DILL. That is true, and those 4,500,000 have such a large part of the money of the country that they ought to pay even a greater percentage than they do.

Mr. McLEAN. Mr. President, will the Senator permit an interruption?

Mr. DILL. Certainly.

Mr. McLEAN. I have had prepared a statement by the experts of the Treasury Department indicating the total income for 1926 and what proportion goes to those who pay a very large percentage of the tax, and I should like to quote from just one paragraph.

The total individual income of all the people—those making returns and those not—will be for 1926 about $50,000,000,000. That received by those whose net incomes are in excess of $10,000 will be about $5,600,000,000.

Mr. DILL. I did not catch the last statement of the Senator from Connecticut.

Mr. McLEAN. The statement is that the proportion of the incomes received by those whose incomes are in excess of $10,000 will be about $5,400,000,000; that is, about 99¾ per cent of the entire population of the United States, with about 88 per cent of the entire net income, pays less than 10 per cent of the entire income tax, and about one-quarter of 1 per cent of the population, with about 12 per cent of the net income, pays over 90 per cent of the tax.

In other words, Mr. President——

Mr. DILL. Will the Senator give us the number of those who get more than $10,000 a year and how many people actually pay taxes on incomes in excess of that amount?

Mr. McLEAN. I do not remember the exact number; perhaps 300,000.

Mr. REED of Pennsylvania. To what tax does the Senator from Connecticut refer—the surtax?

Mr. McLEAN. The entire income tax.

Mr. DILL. The Senator is giving the percentages, and I want to understand his figures.

Mr. SIMMONS. Under the present law, I want to say to the Senator, about 7,000,000 people file returns.

Mr. McLEAN. I am referring now to those who have incomes in excess of $10,000.

Mr. SIMMONS. Under this bill the number will be about three million and a half less, because of the reduction in the taxes.

Mr. McLEAN. I will complete now the percentages which I am stating, if the Senator will permit me to conclude.

Mr. KING. May I suggest that the Senator shall not overlook the fact that 2 per cent or actually less of the people own more than 50 per cent of the wealth.

Mr. McLEAN. That is not the point I am discussing. I think the Senator's statement is incorrect. I am talking now about the number of people who receive the national income and the percentage that goes to those whose income is less than $10,000. We have fifty billions of income in 1926. How much of it is received by people whose incomes are less than $10,000?

Mr. DILL. And how many pay taxes on incomes in excess of $10,000?

Mr. REED of Pennsylvania. I will give the exact figures. In 1923 the number was 228,267.

Mr. NORRIS. The Senator from Connecticut refers to those receiving that income. Does he mean those who pay the tax?

Mr. McLEAN. I refer to those who pay the tax.

Mr. REED of Pennsylvania. The number of all the income-tax payers is 7,698,321.

Mr. DILL. That is the number of returns?

Mr. REED of Pennsylvania. That is the number of returns filed.

Mr. DILL. And there are about 5,000,000 taxpayers.

Mr. McLEAN. If I may complete this statement I do not care further to interrupt the Senator from Washington. Of $50,000,000,000 total income $44,600,000,000 is received by those whose incomes are less than $10,000, and $5,400,000,000 is received by those whose incomes are in excess of $10,000.

It does not seem to me that that is such an unfair distribution of the national income as the Senator would imply.

Mr. DILL. The Senator from Connecticut quotes figures to show that about 200,000 of 115,000,000 people are paying taxes on five billions of income, as I get his figures. My complaint is that those 200,000 people have such a disproportionate part of the country's wealth and have such a tremendous power over the other 114,800,000 people because of that wealth that they can better afford to pay a larger percentage of the $5,000,000,000, which they have obtained largely by exploitation of the other 114,800,000, than can the common people pay on the incomes they receive.

There is no question but that a few men are collecting enormous incomes. It is true that they are paying the taxes on them; but all I am asking and all that others who agree with me are asking is that these immense fortunes—many of them obtained by unfair practices, many of them built up by special privileges under the law—shall be used in part when those who own them are done with them to pay off the enormous debt that was heaped on us during the World War.

Mr. McLEAN. Will the Senator permit another interruption?

Mr. DILL. Yes.

Mr. McLEAN. Two hundred and thirty thousand people pay 90 per cent of the total income tax.

Mr. DILL. Yes.

Mr. NORRIS. Will the Senator give those figures again where he referred to 12 per cent?

Mr. McLEAN. About one-fourth of 1 per cent of the population, with about 12 per cent of the net income, pays 90 per cent of the tax. I think we are taxing them pretty well under existing circumstances.

Mr. DILL. The Senator is quoting the figures of the inheritance taxes we have had and of the high brackets of the income taxes we have had; but this bill proposes to remove those taxes.

Mr. SMOOT. This bill proposes just the other way, to relieve 2,350,000 people from all taxes.

Mr. DILL. Who only pay $20,000,000.

Mr. SMOOT. Then the percentage will be changed that much.

Mr. McLEAN. The estimates I have given are based on the income taxes imposed in the pending bill.

Mr. DILL. I understood the Senator to be referring to what had been the case.

Mr. McLEAN. I am talking about what will happen if this bill shall pass; and I should like to repeat, if the Senator will permit me, that out of $50,000,000,000 income received by the American people $44,600,000,000 of it goes to people who receive less than $10,000 a year.

Mr. NORRIS. I should like to understand that.

Mr. McLEAN. That much of the total national income is paid to those who receive less than $10,000.

Mr. NORRIS. The Senator does not mean to say that the men who have big incomes pay their incomes to those who have little incomes; does he? I want to get the idea of the Senator.

Mr. McLEAN. I will try to make it plain.

Mr. NORRIS. I hope so.

Mr. McLEAN. Because I think these figures are rather interesting.

Mr. NORRIS. Yes; they are. And I am going to analyze them when I get the floor again.

Mr. McLEAN. I assume they are fairly correct, because they were given to me by the gentlemen who make it a business to make these estimates, and they may be considered as fairly accurate.

The total income of the American people in 1926 will be $50,000,000,000, and of that sum $44,600,000,000 will be received by people whose incomes are less than $10,000. The remainder, $5,400,000,000, will be received by those whose incomes are in

excess of $10,000. That leaves about one-quarter of 1 per cent of the population, who get about 12 per cent of the income, and they pay 90 per cent of the income tax.

Mr. DILL. One-fourth of 1 per cent of the population receive 12 per cent of the income?

Mr. McLEAN. They receive 12 per cent of the net income, and they pay 90 per cent of the income tax.

Mr. NORRIS. Mr. President, may I interrupt the Senator from Washington?

Mr. DILL. Yes, sir.

Mr. NORRIS. I want to ask the Senator from Washington if he does not think that the figures just given practically demonstrate that we are already coming to the point where the wealth of the country is being concentrated in a few hands?

Mr. DILL. If I had searched for an argument in behalf of taxing great concentrated wealth, I could not have found any better one than the Senator from Connecticut has furnished to me. When we have reached the stage in this country of concentrated capital to the extent that such a few men have such a tremendous income, while all the rest of the 114,000,000 have the remainder——

Mr. SMOOT. Do babies have incomes?

Mr. DILL. Babies are a heavy expense on the men who receive the incomes.

Mr. SMOOT. That is not what the Senator said.

Mr. DILL. I am thinking of the babies of the poor people whose incomes are under $1,500 and $2,000 a year. I am thinking of the burden that is laid on the families who can not take proper care of their babies; and I want, so far as I can, to have legislation enacted that will burden the men with the millions rather than burden the millions who have no money at all.

Mr. NORRIS. What right has the Senator to think of those people? He ought to think of those who have incomes of over $100,000, who are especially favored by this bill.

Mr. DILL. I recognize that to speak of this is lese majeste, so far as those who wrote this bill are concerned; but I dare to think of them, and I dare to talk for them, because they do not get enough attention in this Chamber.

Mr. HOWELL. Mr. President——

The VICE PRESIDENT. Does the Senator from Washington yield to the Senator from Nebraska?

Mr. DILL. I yield.

Mr. HOWELL. I think in connection with the figures which have been given that this fact should be kept in mind, namely, that 5,694 taxpayers, according to the 1925 returns, enjoyed incomes of $100,000 or more; that this class receive a reduction of income taxes of $120,500,000; and that all the remainder of the people of the United States receive a reduction in income taxes of but $98,500,000.

Furthermore, the estates of those who belonged to this class in life will be relieved of $90,000,000 this year out of a reduction of $150,000,000; in other words, 5,694 taxpayers, or the class to which they belonged, will enjoy a reduction of estate taxes to the extent of $90,000,000, while all the remainder of the people enjoy a reduction to the extent of $60,000,000.

Mr. SIMMONS. What is the Senator talking about? Is he talking about the income-tax reductions?

Mr. HOWELL. No; I am talking now about estate taxes. Furthermore, under this bill rebates go to those who have paid estate taxes or who owe deferred payments to the extent of $100,000,000, and $60,000,000 of that amount goes to those who belonged to this 5,694 class in life.

Then, as to the gift taxes, about four and one-half million dollars were paid by that class; but those taxes are to be repealed, so that to this class of 5,694 the total reduction under this bill amounts to $275,000,000, while to all the remainder of the people of the United States but $201,500,000.

Mr. SIMMONS. Mr. President, the Senator is talking about the taxpayers under the income tax and applying the number of income taxpayers to the inheritance taxpayers.

Mr. HOWELL. Mr. President, I went into the statistics of the inheritance taxes, and I found the percentage that had been paid by estates, the owners of which in life were in that 5,694 class. That is upon what my estimates are based. I stated the other day that this was a millionaire tax bill; it is a multimillionaire tax bill, and it will go down in history as such, at least as it passes the Senate.

Mr. McLEAN. It is, in the sense that they pay the greater percentage of the income tax.

Mr. SIMMONS. Mr. President, the Senator's figures are right as to the number of taxpayers if he is talking about the income-tax. If he is talking about the estate tax, his figures are altogether wrong. In 1924 the total number of people in this country who paid an estate tax was 13,709, and 6,452 of those people paid an inheritance tax on estates under $50,000—half of them.

Mr. HOWELL. Mr. President, the Senator did not understand my statement.

Mr. SIMMONS. I was reading from the record.

Mr. HOWELL. Certain of these estate taxes were paid by those who in life had $100,000 or more income.

Mr. SMOOT. They are alive yet.

Mr. HOWELL. I am talking about those who paid estate taxes in the past. I am speaking of this class that had an income during life in excess of $100,000. I am taking that class and I am applying these calculations. The statement made by the Senator from North Carolina shows a misunderstanding of my argument.

Mr. SIMMONS. I now see the point the Senator was making. I did not understand him before.

Mr. DILL. Mr. President, I want to say one other thing about the taxing of those with great wealth and the taxing of great estates. My attitude in regard to levying higher taxes on great wealth is not prompted by any enmity to those who have great wealth. I am glad that they have the ability to make large sums of money honestly in this country, and I do not desire to punish men who make large sums of money honestly; but I think there is another angle to the justice of what men do for their country, both in times of war and in times of peace.

There is a great wave of sentiment going over this country and over the world against war, and my greatest ground for hope that war will be deferred, for a while at least, is that the great financial interests of this country do not want war. There are two reasons why they do not want war. One is that they are making so much money out of peace, and the other is that they recognize that another World War might bring about the overturning of the organized governments of other countries and bring about such a condition as we find in Russia; and so long as the great financial interests are against war you need not fear that the people will get us into war.

Mr. REED of Pennsylvania. Mr. President, does the Senator think that any sane man in the United States wanted war in 1914?

Mr. DILL. I do not think any sane man in the United States wanted war in 1914, but I think a lot of sane men were willing to put their money into the war, and when it was necessary to have war to protect their money they would rather have war than to lose their money. I think that; and I want to say to the Senator from Pennsylvania that I believe if we had prohibited American citizens from loaning money to any European belligerent in the early days of the war we could have stayed out of that war. I think it was money that caused us to have interests over there first, and then we were led into it by the force of circumstances that developed later.

Mr. REED of Pennsylvania. The Senator thinks it is a matter of indifference that Germany murdered a large number of our women and children on the *Lusitania*, does he?

Mr. DILL. I notice that it was a matter of such indifference that we did not go to war about it.

Mr. REED of Pennsylvania. I notice that some of us did not.

Mr. DILL. We did not go to war until they threatened to sink certain ships, and said that we had to paint them in a certain way.

Mr. SMOOT. Not until after the election.

Mr. DILL. The Senator can not tell me very much about the history of how the war started. I was in the House of Representatives, and I voted against it, and I know something about it. I want to say to you that the worst humbug that was put over about the war was that we went to war because of the invasion of Belgium or the sinking of the *Lusitania*. We did not go to war over that. The American people voted for and reelected President Wilson because he did not go to war over it, and every man in this Chamber knows it. We went to war because our commerce was interfered with, and the President and a majority of the Congress thought that was sufficient reason to go in. If Germany had not issued her ultimatum regarding ships sailing to England, I doubt whether we would have gone in for many months, if at all. It was a commercial thing that brought about our action, and not the murdering of the women and children on the *Lusitania*. We did not go to war over that. Instead, that enabled Mr. Wilson to be reelected President as the man who kept us out of war.

Mr. REED of Pennsylvania. Does not the Senator think we should have gone to war when the *Lusitania* was sunk?

Mr. DILL. I want to say to the Senator, that if we had any cause at all that was the cause, and then was when we should have gone in.

Mr. REED of Pennsylvania. Does not the Senator think that was sufficient cause?

Mr. DILL. I do not know that I care to go into a discussion of that, but I will say that I think we ought to have kept the women and children off of the *Lusitania*, so that that situation never could have arisen. I do not believe it was right to allow a belligerent to put women and children on a ship to insure the gunpowder and the ammunition on that ship.

Mr. REED of Pennsylvania. Once they were on, does the Senator think we should permit them to be murdered without actively resenting it?

Mr. DILL. The American people thought it was all right not to go to war when they reelected Mr. Wilson for not going to war.

Mr. REED of Pennsylvania. The Senator knows that that was only one of the reasons why Mr. Wilson was reelected.

Mr. DILL. I know that that was the argument that carried the West, and it was the West that reelected Mr. Wilson.

Mr. REED of Pennsylvania. Then, does the Senator mean that Mr. Wilson broke faith with the West?

Mr. DILL. I am not going to discuss that phase of it. Mr. Wilson had his reasons and the Congress had its reasons, and they were new reasons that developed after the election.

Mr. REED of Pennsylvania. They developed between the election and the inauguration, did they?

Mr. DILL. I think so.

Mr. KING. Mr. President, will the Senator yield?

Mr. DILL. Yes.

Mr. KING. I am inclined to think that the questions of the Senator from Pennsylvania do not comprehend the entire field or envisage the entire situation. I think that a majority of the American people were not ready, were not willing to support a declaration of war until a resolution of that kind finally was offered; and I notice that there was not a single Republican—I do not want to make this a partisan discussion, but if Senators want to we will make it such—who offered a resolution either in the House or in the Senate in favor of a declaration of war. They saw the *Lusitania* sunk; they saw other ships sunk and Americans murdered upon the high seas, and not a single Republican offered a resolution in favor of a declaration of war; and I am finding no fault. Do not misunderstand me.

Mr. REED of Pennsylvania. I think I remember a Republican named Roosevelt who had something to say at the time.

Mr. KING. The Senator now is distorting what I said, or misinterpreting it. I said there was not a single Republican in the House or in the Senate who offered a resolution in favor of a declaration of war. The Senator knows, because he is a great lawyer—one of the greatest and one of the ablest men, I think, in the United States—that the President of the United States can not declare war.

Mr. REED of Pennsylvania. I surrender, Mr. President. [Laughter.]

Mr. KING. I am glad that I have one hostage and one captive.

Mr. DILL. Mr. President——

Mr. KING. Let me complete my sentence. The Senator knows, as a great lawyer, that the power does not rest in the Executive to declare war. It rests in the Congress of the United States; and I repeat that in my judgment the American people were not willing to have a declaration of war at an earlier period than that when it was declared by the Congress of the United States. President Wilson followed public sentiment, I think with a desire to know what the public desired, and yet at the same time to follow his own conscience; and I think that if he had sought to project our country into war at an earlier period there would not have been that unanimity which existed when finally he sent his message to Congress, and the resolution declaring war was adopted.

I thank the Senator from Washington for yielding to me.

Mr. WATSON. Mr. President, does the Senator from Utah agree with the Senator from Washington that in going to war we were actuated wholly by commercial motives?

Mr. DILL. I did not so state.

Mr. KING. I did not interpret the remarks of the Senator to mean that at all.

Mr. DILL. I did not so state.

Mr. KING. I am sure the Senator did not mean that.

Mr. WATSON. I understood his remarks to mean just that.

Mr. DILL. I said that the act which took us into war was that Germany threatened to blow up our ships on the high seas, and wanted us to stop carrying commerce to one set of belligerents.

Mr. WATSON. And it was commercial?

Mr. DILL. It was commercial.

Mr. WATSON. Yes; there you are.

Mr. DILL. That was the commercial reason.

Mr. KING. Mr. President, I do not think the Senator there is fair, if he will pardon me.

Mr. SWANSON. Mr. President——

The VICE PRESIDENT. Does the Senator from Washington yield to the Senator from Virginia?

Mr. DILL. Mr. President, I had the floor on this matter, and I am not going to have my words distorted here. I am willing to take the responsibility for anything I say on the floor, as I took the responsibility for my vote against the war at the time it came, and then supported the war when we got into it. I said that the immediate cause of the rupture of relations with Germany was the ukase of the German Government that we could not send our ships to sea without painting them like barber poles.

Mr. WATSON. And did not the Senator further say that if we had not lent money to Europe we never would have gone into the war?

Mr. DILL. I said that if we had not lent our money to Europe in the beginning we never would have gotten into the condition that would have brought about this situation.

Mr. REED of Pennsylvania. Can the Senator tell us how much we loaned to belligerents?

Mr. DILL. No; I do not know the amount.

Mr. REED of Pennsylvania. It was less than $2,000,000,000; was it not?

Mr. DILL. I do not know the amount.

Mr. REED of Pennsylvania. And does the Senator think we went into a war that cost us over $50,000,000,000 in order to save $2,000,000,000?

Mr. DILL. No; we did not; but I said if we had not started that way we would not have gotten into it. After you get a ball rolling, it gains momentum.

Mr. SWANSON. Mr. President, will the Senator yield to me?

Mr. DILL. Yes.

Mr. SWANSON. I want to resent the imputation that comes from the other side that President Wilson changed his policy after the election from what it was before the election. There is not a word of truth in it. It is a slander on a patriotic man.

President Wilson in his notes gave notice to the German Government as to what the result would be if they resumed unrestricted submarine warfare. The Lansing note, the Bryan note, and the others indicated that if Germany resumed unrestricted submarine warfare the United States would not submit to it. On the 1st of February after his election Germany resumed unrestricted submarine warfare. She marked out a war zone 600 miles west of Ireland to the Arctic Circle and including the entire Mediterranean Sea and served notice that any ship that was found in that war zone for any purpose would be sunk, regardless of its purpose or its flag. Three hundred and six American sailors and citizens were destroyed after that; ships were sunk; and President Wilson called Congress in extra session to defend American honor, the American flag, American integrity, and the freedom of the seas, and Congress responded.

As has been well said by the Senator from Utah, a declaration of war is made by Congress. What Republican in the Senate or the House offered a resolution for a declaration of war? Name him. Mr. Roosevelt could not declare war. No man except a Member of Congress could offer the resolution in Congress; and if war ought to have been declared earlier, why was it that the Republican Party was recreant to its desires in not offering such a resolution in Congress.

Mr. DILL. Mr. President, I want to say to the Senator from Virginia that I did not say that President Wilson changed his policy.

Mr. SWANSON. The Senator did not, but the Senator from Pennsylvania implied that he did. I noticed what the Senator said.

Mr. WATSON. Mr. President——

Mr. SWANSON. The Senator from Indiana——

Mr. WATSON. Oh, no; the Senator from Indiana said nothing about it at all.

Mr. SWANSON. Well, that was the implication——

Mr. WATSON. No; not the implication.

Mr. SWANSON. That it was entirely for commercial purposes.

Mr. WATSON. I was repeating what the Senator from Washington said.

Mr. DILL. I did not say it was entirely for commercial purposes, but that the immediate cause of the declaration of war was the threat against our ships of commerce.

Mr. WATSON. The Senator from Washington and the Senator from Virginia have had a delightful joint debate on this subject, and have not agreed at all on the subject matter. That is to say, my friend from Washington insists that if we had not lent money to Europe we would not have gone into the war, and the Senator from Virginia now insists that we went into the war for the purpose for which I say we went into the war, and in that I agree with him—to protect American rights.

Mr. SWANSON. To protect American rights commercially, and because in the war zone marked out on the seas by Germany more than three-fourths of the commerce of the world passes.

Mr. WATSON. I understand that entirely.

Mr. SWANSON. That was to stop, under that decree. President Wilson would have been recreant to the notes he gave to Germany and recreant to his duty as President of the United States, when Germany resumed unrestricted submarine warfare, if he had not asked for the declaration of war from Congress.

He took account of the commercial situation; he defended the flag from a sense of honor. Three-fourths of the commerce of the world and the freedom of the seas were ordered by Germany to be interfered with while she conducted her warfare for supremacy in Europe.

Mr. WATSON. Mr. President, I am in entire harmony with the thought announced by the Senator from Virginia, and I find myself in entire disagreement with the ideas expressed by my friend from Washington. But the Senator from Washington, who stated, in substance, that the late war was a commercial war and that if we had not loaned the money to Europeans, we would not have gone in——

Mr. DILL. I said that if we had not loaned money to Europe the agitation that was started by that would not have occurred, and I do not think we would have gotten into the war. I do not say it was in consequence of that alone, but I say that was the beginning, and I remember that at that time speeches were made in the Senate protesting against permitting American citizens to lend money to European countries, at the beginning of the war; and I think that if that had been done the history of that period might have been different.

Mr. WATSON. Will the Senator yield to me for one further observation?

Mr. DILL. Yes.

Mr. WATSON. Inasmuch as the Senator from Virginia has mentioned the fact of the President changing his mind, with which I find no fault, conditions having changed so as to cause him to change his mind, I remember very well when the President came before the Senate and stated that he had sent an identic note to each of the nations at war, asking the nations if they would kindly inform him what the war was about, and that afterwards he came back and said each nation had answered, and that after he had received those answers he did not know what the war was about; and within 30 days from that time he called Congress together to declare war, because it was a war to make the world safe for democracy. If it was a war to make the world safe for democracy when he called Congress into special session to declare war, it was at all times a war to make the world safe for democracy.

Mr. SWANSON. Mr. President, will the Senator yield to me again?

Mr. DILL. I am not going to yield very much longer. I did not intend to stir up the war spirit.

Mr. SWANSON. The Senator from Indiana has now disclosed what I knew was in his mind, though he did not express it so fully before. He tried to imply that Wilson changed his mind in regard to the war. I take the position that Wilson was consistent from the beginning. He insisted in the notes sent by Lansing and Bryan that if Germany resumed unrestricted submarine warfare and sunk American ships bent on honorable purposes, sailing from one neutral port to another, Germany might expect the United States to resent it. The 1st of February, when Germany resumed unrestricted submarine warfare, though there was an intimation that she would do it, Wilson insisted on carrying out what was included in all his notes given to the German Government.

As I asked before, would any Senator here have submitted to that resumption of unrestricted submarine warfare which began on the 1st of February? Three-fourths of the commerce of the world passed through certain lanes on the ocean. Germany assumed control of those lanes of commerce and said that American commerce should be driven off them, and 306 Americans had been killed and ships to the extent of 300,000 tons had been sunk. I say there was no change of policy; and if Republicans had been anxious to go into the war prior to that time, why did they not offer a resolution?

Mr. SWANSON subsequently said: Mr. President, I have here the address of President Wilson of February 3 to the Congress, together with his address of April 2, and I ask unanimous consent that they be printed in the RECORD following my remarks.

Mr. MOSES. I think the Senator ought also to have printed the speech delivered by the President in Philadelphia immediately after the sinking of the *Lusitania*.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Virginia?

There being no objection, the addresses were ordered to be printed in the RECORD, as follows:

ADDRESS OF THE PRESIDENT OF THE UNITED STATES DELIVERED AT A JOINT SESSION OF THE TWO HOUSES OF CONGRESS FEBRUARY 3, 1917

Gentlemen of the Congress, the Imperial German Government on the 31st of January announced to this Government and to the governments of the other neutral nations that on and after the 1st day of February, the present month, it would adopt a policy with regard to the use of submarines against all shipping seeking to pass through certain designated areas of the high seas to which it is clearly my duty to call your attention.

Let me remind the Congress that on the 18th of April last, in view of the sinking on the 24th of March of the cross-channel passenger steamer *Sussex* by a German submarine, without summons or warning, and the consequent loss of the lives of several citizens of the United States who were passengers aboard her, this Government addressed a note to the Imperial German Government, in which it made the following declaration:

"If it is still the purpose of the Imperial Government to prosecute relentless and indiscriminate warfare against vessels of commerce by the use of submarines without regard to what the Government of the United States must consider the sacred and indisputable rules of international law and the universally recognized dictates of humanity, the Government of the United States is at last forced to the conclusion that there is but one course it can pursue. Unless the Imperial Government should now immediately declare and effect an abandonment of its present methods of submarine warfare against passenger and freight carrying vessels, the Government of the United States can have no choice but to sever diplomatic relations with the German Empire altogether."

In reply to this declaration the Imperial German Government gave this Government the following assurance:

"The German Government is prepared to do its utmost to confine the operations of war for the rest of its duration to the fighting forces of the belligerents, thereby also insuring the freedom of the seas, a principle upon which the German Government believes, now as before, to be in agreement with the Government of the United States.

"The German Government, guided by this idea, notifies the Government of the United States that the German naval forces have received the following orders: In accordance with the general principles of visit and search and destruction of merchant vessels recognized by international law, such vessels, both within and without the area declared as naval war zone, shall not be sunk without warning and without saving human lives, unless these ships attempt to escape or offer resistance.

"But," it added, "neutrals can not expect that Germany, forced to fight for her existence, shall, for the sake of neutral interest, restrict the use of an effective weapon if her enemy is permitted to continue to apply at will methods of warfare violating the rules of international law. Such a demand would be incompatible with the character of neutrality, and the German Government is convinced that the Government of the United States does not think of making such a demand, knowing that the Government of the United States has repeatedly declared that it is determined to restore the principle of the freedom of the seas, from whatever quarter it has been violated."

To this the Government of the United States replied on the 8th of May, accepting, of course, the assurances given, but adding:

"The Government of the United States feels it necessary to state that it takes it for granted that the Imperial German Government does not intend to imply that the maintenance of its newly announced policy is in any way contingent upon the course or result of diplomatic negotiations between the Government of the United States and any other belligerent government, notwithstanding the fact that certain passages in the Imperial Government's note of the 4th instant might appear to be susceptible of that construction. In order, however, to avoid any possible misunderstanding, the Government of the United States notifies the Imperial Government that it can not for a

moment entertain, much less discuss, a suggestion that respect by German naval authorities for the rights of citizens of the United States upon the high seas should in any way or in the slightest degree be made contingent upon the conduct of any other government affecting the rights of neutrals and noncombatants. Responsibility in such matters is single, not joint; absolute, not relative."

To this note of the 8th of May the Imperial German Government made no reply.

On the 31st of January, the Wednesday of the present week, the German ambassador handed to the Secretary of State, along with a formal note, a memorandum which contains the following statement:

"The Imperial Government, therefore, does not doubt that the Government of the United States will understand the situation thus forced upon Germany by the Entente Allies' brutal methods of war and by their determination to destroy the Central Powers, and that the Government of the United States will further realize that the now openly disclosed intentions of the Entente Allies give back to Germany the freedom of action which she reserved in her note addressed to the Government of the United States on May 4, 1916.

"Under these circumstances Germany will meet the illegal measures of her enemies by forcibly preventing after February 1, 1917, in a zone around Great Britain, France, Italy, and in the eastern Mediterranean all navigation, that of neutrals included, from and to England and from and to France, etc., etc. All ships met within the zone will be sunk."

I think that you will agree with me that, in view of this declaration, which suddenly and without prior intimation of any kind deliberately withdraws the solemn assurance given in the Imperial Government's note of the 4th of May, 1916, this Government has no alternative consistent with the dignity and honor of the United States but to take the course which, in its note of the 18th of April, 1916, it announced that it would take in the event that the German Government did not declare and effect an abandonment of the methods of submarine warfare which it was then employing and to which it now purposes again to resort.

I have, therefore, directed the Secretary of State to announce to his excellency the German ambassador that all diplomatic relations between the United States and the German Empire are severed, and that the American ambassador at Berlin will immediately be withdrawn; and, in accordance with this decision, to hand to his excellency his passports.

Notwithstanding this unexpected action of the German Government, this sudden and deeply deplorable renunciation of its assurances, given this Government at one of the most critical moments of tension in the relations of the two governments, I refuse to believe that it is the intention of the German authorities to do in fact what they have warned us they will feel at liberty to do. I can not bring myself to believe that they will indeed pay no regard to the ancient friendship between their people and our own or to the solemn obligations which have been exchanged between them and destroy American ships and take the lives of American citizens in the wilful prosecution of the ruthless naval program they have announced their intention to adopt. Only actual overt acts on their part can make me believe it even now.

If this inveterate confidence on my part in the sobriety and prudent foresight of their purpose should unhappily prove unfounded; if American ships and American lives should in fact be sacrificed by their naval commanders in heedless contravention of the just and reasonable understandings of international law and the obvious dictates of humanity, I shall take the liberty of coming again before the Congress to ask that authority be given me to use any means that may be necessary for the protection of our seamen and our people in the prosecution of their peaceful and legitimate errands on the high seas. I can do nothing less. I take it for granted that all neutral governments will take the same course.

We do not desire any hostile conflict with the Imperial German Government. We are the sincere friends of the German people and earnestly desire to remain at peace with the Government which speaks for them. We shall not believe that they are hostile to us unless and until we are obliged to believe it; and we purpose nothing more than the reasonable defense of the undoubted rights of our people. We wish to serve no selfish ends. We seek merely to stand true alike in thought and in action to the immemorial principles of our people which I sought to express in my address to the Senate only two weeks ago—seek merely to vindicate our right to liberty and justice and an unmolested life. These are the bases of peace, not war. God grant we may not be challenged to defend them by acts of wilful injustice on the part of the Government of Germany!

ADDRESS OF THE PRESIDENT OF THE UNITED STATES DELIVERED AT A JOINT SESSION OF THE TWO HOUSES OF CONGRESS APRIL 2, 1917

Gentlemen of the Congress, I have called the Congress into extraordinary session because there are serious, very serious, choices of policy to be made, and made immediately, which it was neither right nor constitutionally permissible that I should assume the responsibility of making.

On the 3d of February last I officially laid before you the extraordinary announcement of the Imperial German Government that on and after the 1st day of February it was its purpose to put aside all restraints of law or of humanity and use its submarines to sink every vessel that sought to approach either the ports of Great Britain and Ireland or the western coasts of Europe or any of the ports controlled by the enemies of Germany within the Mediterranean. That had seemed to be the object of the German submarine warfare earlier in the war, but since April of last year the Imperial Government had somewhat restrained the commanders of its undersea craft in conformity with its promise then given to us that passenger boats should not be sunk and that due warning would be given to all other vessels which its submarines might seek to destroy, when no resistance was offered or escape attempted, and care taken that their crews were given at least a fair chance to save their lives in their open boats. The precautions taken were meager and haphazard enough, as was proved in distressing instance after instance in the progress of the cruel and unmanly business, but a certain degree of restraint was observed. The new policy has swept every restriction aside. Vessels of every kind, whatever their flag, their character, their cargo, their destination, their errand, have been ruthlessly sent to the bottom without warning and without thought of help or mercy for those on board, the vessels of friendly neutrals along with those of belligerents. Even hospital ships and ships carrying relief to the sorely bereaved and stricken people of Belgium, though the latter were provided with safe conduct through the proscribed areas by the German Government itself and were distinguished by unmistakable marks of identity, have been sunk with the same reckless lack of compassion or of principle.

I was for a little while unable to believe that such things would in fact be done by any government that had hitherto subscribed to the humane practices of civilized nations. International law had its origin in the attempt to set up some law which would be respected and observed upon the seas, where no nation had right of dominion and where lay the free highways of the world. By painful stage after stage has that law been built up, with meager enough results, indeed, after all was accomplished that could be accomplished, but always with a clear view, at least, of what the heart and conscience of mankind demanded. This minimum of right the German Government has swept aside under the plea of retaliation and necessity and because it had no weapons which it could use at sea except these which it is impossible to employ as it is employing them without throwing to the winds all scruples of humanity or of respect for the understandings that were supposed to underlie the intercourse of the world. I am not now thinking of the loss of property involved, immense and serious as that is, but only of the wanton and wholesale destruction of the lives of noncombatants, men, women, and children, engaged in pursuits which have always, even in the darkest periods of modern history, been deemed innocent and legitimate. Property can be paid for; the lives of peaceful and innocent people can not be. The present German submarine warfare against commerce is a warfare against mankind.

It is a war against all nations. American ships have been sunk, American lives taken, in ways which it has stirred us very deeply to learn of, but the ships and people of other neutral and friendly nations have been sunk and overwhelmed in the waters in the same way. There has been no discrimination. The challenge is to all mankind. Each nation must decide for itself how it will meet it. The choice we make for ourselves must be made with a moderation of counsel and a temperateness of judgment befitting our character and our motives as a Nation. We must put excited feeling away. Our motive will not be revenge or the victorious assertion of the physical might of the Nation, but only the vindication of right, of human right, of which we are only a single champion.

When I addressed the Congress on the 26th of February last I thought that it would suffice to assert our neutral rights with arms, our right to use the seas against unlawful interference, our right to keep our people safe against unlawful violence. But armed neutrality, it now appears, is impracticable. Because submarines are in effect outlaws when used as the German submarines have been used against merchant shipping, it is impossible to defend ships against their attacks as the law of nations has assumed that merchantmen would defend themselves against privateers or cruisers, visible craft giving chase upon the open sea. It is common prudence in such circumstances, grim necessity, indeed, to endeavor to destroy them before they have shown their own intention. They must be dealt with upon sight, if dealt with at all. The German Government denies the right of neutrals to use arms at all within the areas of the sea which it has proscribed, even in the defense of rights which no modern publicist has ever before questioned their right to defend. The intimation is conveyed that the armed guards which we have placed on our merchant ships will be treated as beyond the pale of law and subject to be dealt with as pirates would be. Armed neutrality is ineffectual enough at best; in such circumstances and in the face of such pretensions it is worse than ineffectual; it is likely only to produce what it was meant to prevent; it is practically certain to draw us into the war without either the rights or the effectiveness of belligerents. There is one choice we can not make, we are incapable of making: We will not

choose the path of submission and suffer the most sacred rights of our Nation and our people to be ignored or violated. The wrongs against which we now array ourselves are no common wrongs; they cut to the very roots of human life.

With a profound sense of the solemn and even tragical character of the step I am taking and of the grave responsibilities which it involves, but in unhesitating obedience to what I deem my constitutional duty, I advise that the Congress declare the recent course of the Imperial German Government to be in fact nothing less than war against the Government and people of the United States; that it formally accept the status of belligerent which has thus been thrust upon it; and that it take immediate steps not only to put the country in a more thorough state of defense but also to exert all its power and employ all its resources to bring the Government of the German Empire to terms and end the war.

What this will involve is clear. It will involve the utmost practicable cooperation in counsel and action with the governments now at war with Germany, and, as incident to that, the extension to those governments of the most liberal financial credits, in order that our resources may so far as possible be added to theirs. It will involve the organization and mobilization of all the material resources of the country to supply the materials of war and serve the incidental needs of the Nation in the most abundant and yet the most economical and efficient way possible. It will involve the immediate full equipment of the Navy in all respects, but particularly in supplying it with the best means of dealing with the enemy's submarines. It will involve the immediate addition to the armed forces of the United States already provided for by law in case of war at least 500,000 men, who should, in my opinion, be chosen upon the principle of universal liability to service, and also the authorization of subsequent additional increments of equal force so soon as they may be needed and can be handled in training. It will involve also, of course, the granting of adequate credits to the Government, sustained, I hope, so far as they can equitably be sustained by the present generation, by well-conceived taxation.

I say sustained so far as may be equitable by taxation, because it seems to me that it would be most unwise to base the credits which will now be necessary entirely on money borrowed. It is our duty, I most respectfully urge, to protect our people so far as we may against the very serious hardships and evils which would be likely to arise out of the inflation which would be produced by vast loans.

In carrying out the measures by which these things are to be accomplished we should keep constantly in mind the wisdom of interfering as little as possible in our own preparation and in the equipment of our own military forces with the duty—for it will be a very practical duty—of supplying the nations already at war with Germany with the materials which they can obtain only from us or by our assistance. They are in the field and we should help them in every way to be effective there.

I shall take the liberty of suggesting, through the several executive departments of the Government, for the consideration of your committees, measures for the accomplishment of the several objects I have mentioned. I hope that it will be your pleasure to deal with them as having been framed after very careful thought by the branch of the Government upon which the responsibility of conducting the war and safeguarding the Nation will most directly fall.

While we do these things, these deeply momentous things, let us be very clear, and make very clear to all the world what our motives and our objects are. My own thought has not been driven from its habitual and normal course by the unhappy events of the last two months, and I do not believe that the thought of the Nation has been altered or clouded by them. I have exactly the same things in mind now that I had in mind when I addressed the Senate on the 22d of January last; the same that I had in mind when I addressed the Congress on the 3d of February and on the 26th of February. Our object now, as then, is to vindicate the principles of peace and justice in the life of the world as against selfish and autocratic power and to set up amongst the really free and self-governed peoples of the world such a concert of purpose and of action as will henceforth insure the observance of those principles. Neutrality is no longer feasible or desirable where the peace of the world is involved and the freedom of its peoples, and the menace to that peace and freedom lies in the existence of autocratic governments backed by organized force which is controlled wholly by their will, not by the will of their people. We have seen the last of neutrality in such circumstances. We are at the beginning of an age in which it will be insisted that the same standards of conduct and of responsibility for wrong done shall be observed among nations and their governments that are observed among the individual citizens of civilized states.

We have no quarrel with the German people. We have no feeling toward them but one of sympathy and friendship. It was not upon their impulse that their Government acted in entering this war. It was not with their previous knowledge or approval. It was a war determined upon as wars used to be determined upon in the old, unhappy days when peoples were nowhere consulted by their rulers and wars were provoked and waged in the interest of dynasties or of little groups of ambitious men who were accustomed to use their fellow men as pawns and tools. Self-governed nations do not fill their neighbor states with spies or set the course of intrigue to bring about some critical posture of affairs which will give them an opportunity to strike and make conquest. Such designs can be successfully worked out only under cover and where no one has the right to ask questions. Cunningly contrived plans of deception or aggression, carried, it may be, from generation to generation, can be worked out and kept from the light only within the privacy of courts or behind the carefully guarded confidences of a narrow and privileged class. They are happily impossible where public opinion commands and insists upon full information concerning all the nation's affairs.

A steadfast concert for peace can never be maintained except by a partnership of democratic nations. No autocratic government could be trusted to keep faith within it or observe its covenants. It must be a league of honor, a partnership of opinion. Intrigue would eat its vitals away; the plottings of inner circles who could plan what they would and render account to no one would be a corruption seated at its very heart. Only free peoples can hold their purpose and their honor steady to a common end and prefer the interests of mankind to any narrow interest of their own.

Does not every American feel that assurance has been added to our hope for the future peace of the world by the wonderful and heartening things that have been happening within the last few weeks in Russia? Russia was known by those who knew it best to have been always in fact democratic at heart, in all the vital habits of her thought, in all the intimate relationships of her people that spoke their natural instinct, their habitual attitude toward life. The autocracy that crowned the summit of her political structure, long as it had stood and terrible as was the reality of its power, was not in fact Russian in origin, character, or purpose; and now it has been shaken off and the great, generous Russian people have been added in all their naïve majesty and might to the forces that are fighting for freedom in the world, for justice, and for peace. Here is a fit partner for a league of honor.

One of the things that has served to convince us that the Prussian autocracy was not and could never be our friend is that from the very outset of the present war it has filled our unsuspecting communities and even our offices of government with spies and set criminal intrigues everywhere afoot against our national unity of counsel, our peace within and without, our industries, and our commerce. Indeed, it is now evident that its spies were here even before the war began; and it is unhappily not a matter of conjecture but a fact proved in our courts of justice that the intrigues which have more than once come perilously near to disturbing the peace and dislocating the industries of the country have been carried on at the instigation, with the support, and even under the personal direction of official agents of the Imperial Government accredited to the Government of the United States. Even in checking these things and trying to extirpate them we have sought to put the most generous interpretation possible upon them because we knew that their source lay, not in any hostile feeling or purpose of the German people toward us (who were, no doubt, as ignorant of them as we ourselves were), but only in the selfish designs of a Government that did what it pleased and told its people nothing. But they have played their part in serving to convince us at last that that Government entertains no real friendship for us and means to act against our peace and security at its convenience. That it means to stir up enemies against us at our very doors the intercepted note to the German minister at Mexico City is eloquent evidence.

We are accepting this challenge of hostile purpose because we know that in such a government, following such methods, we can never have a friend; and that in the presence of its organized power, always lying in wait to accomplish we know not what purpose, there can be no assured security for the democratic governments of the world. We are now about to accept gauge of battle with this natural foe to liberty and shall, if necessary, spend the whole force of the Nation to check and nullify its pretensions and its power. We are glad, now that we see the facts with no veil of false pretense about them, to fight thus for the ultimate peace of the world and for the liberation of its peoples, the German peoples included; for the rights of nations great and small and the privilege of men everywhere to choose their way of life and of obedience. The world must be made safe for democracy. Its peace must be planted upon the tested foundations of political liberty. We have no selfish ends to serve. We desire no conquest, no dominion. We seek no indemnities for ourselves, no material compensation for the sacrifices we shall freely make. We are but one of the champions of the rights of mankind. We shall be satisfied when those rights have been made as secure as the faith and the freedom of nations can make them.

Just because we fight without rancor and without selfish object, seeking nothing for ourselves but what we shall wish to share with all free peoples, we shall, I feel confident, conduct our operations as belligerents without passion and ourselves observe with proud punctilio the principles of right and of fair play we profess to be fighting for.

I have said nothing of the Governments allied with the Imperial Government of Germany because they have not made war upon us or

challenged us to defend our right and our honor. The Austro-Hungarian Government has, indeed, avowed its unqualified indorsement and acceptance of the reckless and lawless submarine warfare adopted now without disguise by the Imperial German Government, and it has therefore not been possible for this Government to receive Count Tarnowski, the ambassador recently accredited to this Government by the Imperial and Royal Government of Austria-Hungary; but that Government has not actually engaged in warfare against citizens of the United States on the seas, and I take the liberty, for the present at least, of postponing a discussion of our relations with the authorities at Vienna. We enter this war only where we are clearly forced into it because there are no other means of defending our rights.

It will be all the easier for us to conduct ourselves as belligerents in a high spirit of right and fairness because we act without animus, not in enmity toward a people or with the desire to bring any injury or disadvantage upon them, but only in armed opposition to an irresponsible Government which has thrown aside all considerations of humanity and of right and is running amuck. We are, let me say again, the sincere friends of the German people, and shall desire nothing so much as the early reestablishment of intimate relations of mutual advantage between us—however hard it may be for them, for the time being, to believe that this is spoken from our hearts. We have borne with their present Government through all these bitter months because of that friendship, exercising a patience and forbearance which would otherwise have been impossible. We shall, happily, still have an opportunity to prove that friendship in our daily attitude and actions toward the millions of men and women of German birth and native sympathy who live amongst us and share our life, and we shall be proud to prove it toward all who are in fact loyal to their neighbors and to the Government in the hour of test. They are, most of them, as true and loyal Americans as if they had never known any other fealty or allegiance. They will be prompt to stand with us in rebuking and restraining the few who may be of a different mind and purpose. If there should be disloyalty, it will be dealt with with a firm hand of stern repression; but if it lifts its head at all it will lift it only here and there and without countenance except from a lawless and malignant few.

It is a distressing and oppressive duty, gentlemen of the Congress, which I have performed in thus addressing you. There are, it may be, many months of fiery trial and sacrifice ahead of us. It is a fearful thing to lead this great peaceful people into war, into the most terrible and disastrous of all wars, civilization itself seeming to be in the balance. But the right is more precious than peace, and we shall fight for the things which we have always carried nearest our hearts—for democracy, for the right of those who submit to authority to have a voice in their own governments, for the rights and liberties of small nations, for a universal dominion of right by such a concert of free peoples as shall bring peace and safety to all nations and make the world itself at last free. To such a task we can dedicate our lives and our fortunes, everything that we are and everything that we have, with the pride of those who know that the day has come when America is privileged to spend her blood and her might for the principles that gave her birth and happiness and the peace which she has treasured. God helping her, she can do no other.

Mr. FESS. Will the Senator from Washington yield to me for a moment?

Mr. DILL. I do not want to be discourteous, but I can not let this war debate go on much longer if I am to have the floor at all.

Mr. SMOOT. We would like to get back to the bill.

Mr. DILL. I would like to do so, too; but I yield to the Senator from Ohio.

Mr. FESS. Mr. President, I would not have anything to say at all were it not for the suggestion that certain things ought to have been done, or might have been done, by the minority party. The Senator from Washington and I served in the House together during that hectic time. I am of the opinion that the statement of the Senator from Virginia is a correct statement with reference to the change of mind of the President. Therefore I have not anything to say about that at all.

When the State Department fell into possession of the Zimmerman note, which indicated that the resumption of unrestricted submarine warfare would be undertaken on the 31st of January, that was a pretty serious bit of information, especially when it came officially, and suggested that there might be an alliance between Mexico and Japan. That was the straw which broke the back of patience here, and when it was made public the President came before the House and Senate on the 2d of February and said that we would have to break off diplomatic relations; and I was in entire sympathy with what he said.

Mr. DILL. I want to remind the Senator that had Germany withdrawn her orders regarding submarine warfare the President would not have asked for a declaration of war.

Mr. FESS. That I do not know.

Mr. DILL. I take it from the fact that he had not previously asked for such action.

Mr. FESS. I want to thank the Senator for yielding to me, because the thing I wanted to say was this: That the minority Members of the House, who then were the Republicans, had a conference and agreed that while every individual Member was free to resist any particular measure that might come up never would the President's recommendations on war matters be resisted by the minority party. I think that ought to be said, because that was done, and we certainly did not in any way interfere with the President's policies, and especially by introducing any measure to declare war. There were a great many militant utterances from Members like the distinguished Gus Gardner, which a good many people thought were too militant; but no resolution for a declaration of war was ever introduced, and no such resolution was introduced, because the minority did not want to interfere with the administration when a threat of war was on.

Mr. WHEELER. Mr. President——

The VICE PRESIDENT. Does the Senator from Washington yield to the Senator from Montana?

Mr. DILL. I yield.

Mr. WHEELER. I was going to say that I am very sorry we got into a discussion of the war while this tax measure is under discussion. I object to this peaceful coalition between the Democrats and the Republicans being broken up by a discussion of the war, because I am afraid that if the discussion continues they will get so wide apart that the multimillionaires will not have their taxes reduced in time.

Mr. DILL. Mr. President, I can not yield any further. I merely want to say that I had no intention of bringing up any such discussion at all, and if the Senator from Pennsylvania had not interjected the war discussion and tried to tie me up to condoning the sinking of the *Lusitania*, and trying to carry out the old misrepresentation, that that was what we went to war about, I would not have gotten into this discussion. I certainly did not mean to interject it into the debate as it has been interjected.

What I started to say when I began to discuss the subject of war and peace was this: In time of war all that any man can do for his country is to offer his services and his life, and the workingman, the farmer, and the most common, humble citizen can give as much in time of war, so far as his services at the front are concerned, as the richest and most powerful man with all his wealth. In other words, so far as service in the Army or in war in any capacity is concerned, the rich and the poor are practically on an equal basis. Neither can give more than his life.

When the war is over and the burdens of war are on the people, and a great war debt is still a burden on the people of the country, then it seems to me only just and right that those who have such a tremendous advantage in life as to have accumulated millions, as they have been collected in the hands of a few, those who have such a tremendous amount of the world's goods, as the Senator from Connecticut has shown, should give a larger proportion of their wealth to the maintenance of the Government and to the bearing of this burden than is given by the common and humble citizens of the land.

For that reason I say it is no injustice, it is not unreasonable, to demand that when any citizen is left an annual income of $100,000 net, we take more than 20 per cent of all over that, and when any citizen has coming to him an estate of more than $50,000, without effort on his part, but simply by operation of law, it is not unreasonable and it is not unjust to ask that he shall give a percentage of all over $50,000 to pay these debts and carry these burdens, instead of taking the money out of the pockets of the great mass of our people.

I regret that my references to war and the expression of my desire for its abolition caused the war discussion; yet perhaps it was a good diversion, and we will get down to the bill more definitely than if we had not had the discussion.

Mr. REED of Pennsylvania. Mr. President, I want to state the effect that would follow the adoption of the pending amendment offered by the Senator from Nebraska. I ask Senators to consider, not the estate of a millionaire, but of a man who leaves $150,000 to his widow. Under the provision in the bill as it came from the House that estate of $150,000 would pay a tax of $1,500. The first $50,000 is exempt, the second $50,000 pays 1 per cent, the third $50,000 pays 2 per cent, and the tax is $1,500. Under the amendment offered by the Senator from Nebraska, with precisely the same estate, passing to a man's widow, she would have to pay a tax of $16,058. That is exactly what the working out of the amendment offered by the Senator from Nebraska would mean. It would increase the tax on a bequest to a widow of $150,000 from $1,500, as it would be

under the bill as it passed the House, to $16,058. That is the amendment we are asked to accept.

Mr. SIMMONS. Mr. President, I think this is the most far-reaching amendment that has ever been offered to a tax bill since I have been laboring in connection with these measures. I do not think the Senator from Nebraska quite realizes what the amendment would mean in its effect upon the tax system of the United States.

If this amendment shall be agreed to it will impose a tax upon estates four, five, yea, six times that provided in the bill as it passed the House.

If the amendment of the Senator means anything, it means that the amendment is to take the place of the estate tax proposed in the House bill. It means that the devises, the inheritances, the legacies, all gifts, shall hereafter be treated as income under our tax laws and the taxpayer shall pay at the income rate provided in the bill as long as it is in operation as a law. As imposed by the House the estate tax is a tax upon property. It is now proposed to inject into the revenue bill a provision that will tax not only living men's profits, that will impose a tax upon not only living men's net earnings, but will impose an income tax upon the capital and all the assets of a man who happens to die and who dies possessed of an estate that would pay an inheritance tax or an income tax. If the amendment is agreed to, the tax which we would impose upon estates would be so enormous that every State in the Union would be compelled to repeal its inheritance tax law. But even if that should not happen we would have this anomaly: We would have the States of the Union imposing an estate tax or an inheritance tax upon dead men's estates and we would have the Federal Government imposing an income tax upon the flat estate of all decedents, two utterly inconsistent theories of taxation. That is illogical, it is unscientific, and it violates all the principles of taxation.

But that is not the purpose for which I rose. I rose for the purpose of showing by an analysis of our income-tax system and our estate-tax system that the amendment which the Senator from Nebraska now presents, instead of imposing a moderate inheritance tax, instead of reducing the high inheritance tax imposed in the 1924 law as the House has done, would impose upon estates or inheritances, under the guise of an income tax, a tax which would be at least twice as high as the income tax under the provisions of the 1924 act and four or five times as high as the income tax under the provisions of the House bill as it is now before us.

Let us examine the facts. Let us take an estate of $100,000. Under the provisions of the House bill such an estate is subject to a tax of 3 per cent. I mean the estate is required to pay a tax of 3 per cent upon the estate. If the whole estate is to be treated as income, which is the proposition of the Senator from Nebraska, when he comes to impose this tax he does not regard it as the inheritance-tax provision does, as a flat estate, as representing the assets of the decedent. He proposes to treat every dollar's worth of that estate as income and to tax it as income.

Taxed as income the rate upon $100,000, including both surtax and normal tax, is 16.0359 per cent. Instead of paying an inheritance tax of 3 per cent upon the $100,000 estate, if the amendment of the Senator from Nebraska shall be adopted, that estate would pay a little over 16 per cent upon the $100,000, or a tax five times as great as it would pay under the inheritance-tax provision of the House bill.

But the Senator said that he thought this would properly take the place of the inheritance tax proposed by the House. I do not suppose the Senator means that he wants the inheritance tax continued and then in addition to that he wants the estate to be given in as income and pay an income tax. The Senator's proposition, if it is to be considered at all, must be taken to mean that he wants the inheritance tax displaced by his amendment, so that instead of the $100,000 paying a 3 per cent tax as imposed by the House bill, he would have it pay a tax of 16 per cent as imposed on incomes.

Mr. NORRIS. The Senator does not think that is fair, does he? I have offered the amendment on the theory——

Mr. SIMMONS. The difference will be greater.

Mr. NORRIS. The difference will be less, and I will show it, too.

Mr. SIMMONS. Does the Senator mean to say that 3 per cent flat tax upon an estate is greater than treating the whole estate as income and imposing a tax of 16 per cent on it?

Mr. NORRIS. No; and I do not propose either one. The Senator is not stating it as I intended.

Mr. SIMMONS. Then the Senator will have to modify his amendment, as I understand it.

Let us go a little further. The Senator speaks about the millionaire. Under the House estate tax the tax upon an estate of $1,000,000 is 8 per cent. That is all that would have to be paid. It treats the estate as capital. It imposes a capital tax. But the Senator said that this capital should suddenly, by some legerdemain of legislation, be converted into income, and that he wants this million-dollar estate, for the purposes of inheritance taxation, to be treated as solid net income, to be returned as other earnings and profits of a living man are to be determined and to pay the rate of the House bill or the Senate bill, as the case may be.

I have not the figures for the tax under the Senate committee provision, but I have them under the terms of the House bill which has the estate-tax provision in it, and the Senator's amendment is a substitute for it. If we treat the million dollars as income and tax it as income, under the House bill the surtax plus the normal tax would amount to 24-plus per cent. That is the effect of the Senator's amendment.

Mr. NORRIS. Mr. President——

The PRESIDING OFFICER (Mr. WILLIS in the chair). Does the Senator from North Carolina yield to the Senator from Nebraska?

Mr. SIMMONS. I yield.

Mr. NORRIS. I want to interrupt the Senator again, if he will permit me. The Senator is making all of these comparisons with the House bill. We have amended the House bill.

Mr. SIMMONS. I understand that.

Mr. NORRIS. I do not think it is fair to use figures in the House bill.

Mr. SIMMONS. Whether the House bill is enforced or not, is not the Senator proposing his amendment as a substitute for an estate tax?

Mr. NORRIS. Yes.

Mr. SIMMONS. Exactly.

Mr. NORRIS. But the rates of income are fixed by the Senate amendment in the bill and not by the text of the House bill.

Mr. SIMMONS. Then the Senator said that the Senate had abolished inheritance taxes. He does not know whether that will hold in conference or not. There is no inheritance tax now under the provisions of the Senate amendment. If there were an inheritance tax, it would be 3 per cent. The tax the Senator fought for yesterday has been displaced and is gone. When he fought for the House bill, he was fighting for a tax of 3 per cent upon $100,000. That is gone, and now that it is gone he says that the tax should be changed from a 3 per cent tax, as I said a little while ago, to a tax of 16 per cent. It does not make any difference whether he treats it as applying to the House bill or the Senate bill. In either case the Senator is proposing to substitute his amendment for an estate tax, and the Senator's tax he thinks is just and fair, but what he was standing for yesterday was the House estate tax.

Mr. NORRIS. Mr. President, will the Senator yield again?

Mr. SIMMONS. Certainly.

Mr. NORRIS. That is very true, as far as the committee amendment was concerned. I was standing for the House estate-tax provision, but the Senator continues to figure the tax by using the House rate when he knows we have stricken that rate out. It is true also that I do not know what will happen in conference, but the rates I propose will be in conference just the same as the House rates.

Mr. SIMMONS. The Senator knows that when we get up to a million dollars under the Senate income-tax rate the million dollars would pay a surtax of 20 per cent.

Mr. NORRIS. Exactly.

Mr. SIMMONS. Plus a normal tax of 5 per cent, which would be 25 per cent. That is worse.

Mr. NORRIS. But it would not figure on the million dollars even. Nobody must pay a tax of 20 per cent and will not under this provision, if the Senator will take the exemptions and the lower rates.

Mr. SIMMONS. The Senator is entirely wrong about that. A man who pays on an income of $100,000 does not pay at the flat 20 per cent rate. He pays only 11 per cent. The man whose income is $1,000,000 will get the benefit of the same reductions upon the first $100,000, and he pays 11 per cent on that $100,000; but as to the next $900,000 of his $1,000,000 he has to pay a flat tax, practically, of 20 per cent; it is reduced down to a little more than 19 per cent by reason of the reduction that he got upon his first $100,000. To that 19 per cent is to be added the normal tax. When that is done, there is a tax of about 25 per cent as against 8 per cent upon an estate of $1,000,000, as provided in the House bill.

Mr. President, it may be all right if this Government wants to impose a flat tax upon capital; if the Government wants to make a physical examination of all the property in the United States, and then say, "We will by a flat tax upon it or an ad valorem tax upon it raise enough money to pay the

expenses of the Government." If the Government desires to do that, it can be done by apportionment; it can not be done constitutionally in any other way; but it is all right to do that constitutionally. However, would anyone propose a flat tax in order to raise money to support the Government? Would he propose a flat tax of from 16 to 24 per cent upon all the property in the United States for that purpose?

If it is not proposed to impose such tax upon the property of a living man, why impose it upon the property which the dead man has left and which goes to his children and to his kin? During his lifetime the living man paid a tax upon all the profits of his estate. After he dies and the property goes to his heirs, those heirs continue to use that property as he did and to pay the income tax upon it. The Government has lost nothing by his death; the Government's revenue is the same, or at least it is upon the same basis. It is a mere transfer, just as in the case of a deed transferring property from one man to another. The grantor in that case paid the tax upon the income, and the grantee who succeeds him pays the tax upon the income which the property earns. The dead man passes away. His son—we will say he has one—takes his place; he inherits the property, and he continues to pay the income tax upon it, just as the father paid that tax.

Mr. KING. Mr. President, will the Senator from North Carolina permit an inquiry for information?

The PRESIDING OFFICER. Does the Senator from North Carolina yield to the Senator from Utah?

Mr. SIMMONS. Yes.

Mr. KING. I am not sure that I understand the Senator, and I do not quite follow his argument. As I understand the Senator, his position is that a tax of the character proposed by the Senator from Nebraska [Mr. NORRIS] would be unconstitutional, because it lacks apportionment.

Mr. SIMMONS. No. I have not said that. What I said was that a flat tax imposed by the Government upon all physical property of the United States would be unconstitutional unless it were apportioned. I have not attacked the constitutionality of the pending proposal.

Mr. KING. The Senator does not, then, place the tax now proposed in the same category?

Mr. SIMMONS. No; I do not. I was not placing it in that category with reference to its constitutionality. I said that the Senator brought about a metamorphosis, a very remarkable change. In an instant he converted property from capital into income, and proposed that an inheritance should be taxed as income to the full amount; and, therefore, it becomes necessary to compare the rates and see what tax it would pay as property and what tax it would pay as income.

Mr. KING. If the same rates were imposed.

Mr. SIMMONS. If the tax were proposed upon the earnings of the estate, it would be a different thing, but the Senator from Nebraska proposes to treat the entire estate as income, and to impose the income-tax rates provided for in this bill.

I said, and I repeat, that the tax proposed by the Senator from Nebraska will be four times higher than the estate tax as provided in the bill as it came from the House. It will be two and one-half if not three times higher than the present 40 per cent tax upon estates which was imposed by the act of 1924.

Mr. KING. If, however, the Senator from Nebraska provided the same rates in his amendment as are provided in the bill as it came from the House as to estates or inheritances, it would be no different in its effect.

Mr. SIMMONS. Oh, yes.

Mr. KING. The only difference would be that one would be called income and the other inheritance.

Mr. SIMMONS. That would be true if the rates were the same, but the rates are totally different.

Mr. KING. I comprehend the Senator's argument.

Mr. SIMMONS. The rates are totally different because one provision treats it as capital and the other treats it as income.

Mr. REED of Pennsylvania. Will the Senator from North Carolina pardon an interjection?

Mr. SIMMONS. Yes.

Mr. REED of Pennsylvania. I think the Senator from North Carolina has calculated the present estate-tax rate on $1,000,000 a little too high, so that the contrast is even more marked.

Mr. SIMMONS. Probably I did so. It is 7 per cent, is it not, in the House bill?

Mr. REED of Pennsylvania. Under the House bill the tax on $1,000,000 would be $45,000, or 4½ per cent, so that really the Senator from Nebraska is proposing to multiply the tax by 6.

Mr. SIMMONS. Yes. It is even worse than I thought.

Mr. KING. Is the rate mentioned by the Senator from Pennsylvania on the inheritance or on the income?

Mr. REED of Pennsylvania. That is on the inheritance. The Senator is proposing to multiply the tax on $1,000,000 by 6.

Mr. SIMMONS. Mr. President, I want to make a further statement. I shall make it advisedly. I think the question now pending should be discussed from the standpoint of what is proper and wise and legitimate legislation in the premises. I do not think it ought to be discussed from the standpoint of political capital. I am going to make this statement as the result of inquiries which I have made, rather hurriedly, it is true, but which are entirely satisfactory to me. I am going to make the statement that if the amendment of the Senator from Nebraska shall be adopted there will be raised through its operation nearly twice as much revenue as the Government will realize from the entire individual income-tax schedules as now written by the Senate. If this amendment shall be adopted we can repeal our income-tax legislation; we can repeal all of the nuisance taxes; we can repeal all of the excise taxes; we can repeal all of the taxes, except the corporation taxes, and we will then have more revenue than we will get under the House bill or under the Senate bill.

What does this proposition mean? It is well known that in one generation the entire wealth of the country passes by inheritance; that is a fundamental proposition in taxation. All of the immense wealth of the United States of every kind and character, real estate, personal estate, choses in action, bonds and securities, all pass in one generation into new hands as a result of death. That is what the Great Reaper does for the human race. Property passes into new hands; and under this amendment, if it shall be adopted, the entire wealth of the United States would be taxed once in every generation at the income-tax rates prevailing during that period.

What would be the result? Mr. President, I have made an investigation to find out what the result would be, and I think if Senators will follow the figures which I give they will see what the result would be. The highest rate in the estate tax provision now is 20 per cent upon $10,000,000. The 10 per cent rate is reached at $2,500,000 under the House bill. Under this amendment an inheritance of $2,000,000 will pay at a rate of about 24 per cent, or a little over that—probably 25 per cent. The tax is advanced from 10 per cent, as it is written in the House bill, to 24 per cent, and that goes all down the line; it starts at the bottom and it goes to the top. Under the rates of taxation which would apply to estates if this amendment were to be adopted, it would be all the way from 3 to 6 or 7 times the rates imposed by any inheritance tax provision being considered by either the House or the Senate and any inheritance tax provision which will go before the Committee of Conference.

What is the result? I have these figures from the actuary of the Treasury, who has examined the matter carefully and has advised me.

The wealth of the United States in tangible property in 1922 was $300,000,000,000. About $9,000,000,000 of that is transferred by death each year. At an average tax rate of 5 per cent, which is the flat normal rate on incomes, in just one year the tax would be $450,000,000. Remember, that is at the 5 per cent normal tax rate on incomes.

The average surtax will run it up to 10 or 12 per cent, and the actuary advises me that the average, taking in the whole tax, would certainly be 10 per cent. With an average rate of 10 per cent the amount of revenue which the Government would realize from this amendment, if adopted, would be $900,000,000 a year, or just about twice the amount that we are now receiving from the income tax upon the income of individuals.

Mr. REED of Pennsylvania. And nine times the amount that we are getting from the present inheritance tax?

Mr. SIMMONS. Yes; nine times the amount that we are getting from the present inheritance tax.

Mr. KING. I think the Senator, though, should take into account, as probably he has, the exemption of $50,000, and that most of the estates in the United States are under $50,000, and those are not taxed at all.

Mr. SIMMONS. That would make no difference, because there is no $50,000 exemption in the matter of the income tax. There is a $50,000 exemption under the present tax on estates, and the rate is 3 or 4 per cent upon $100,000 and 10 per cent upon $2,000,000. Under the present law the exemption of $50,000 on estates reduces the tax; but when you convert an estate into income and put it in the income column of our revenue laws, then there is no $50,000 exemption. An estate of that size would have only $2,500 exemption if it is the estate of a married man, and only $1,000 exemption for a

single man. That makes the comparison all the more disadvantageous to the proposition of the Senator from Nebraska.

Mr. KING. Mr. President, I think, if I may be pardoned, the Senator has not caught my point.

Mr. SIMMONS. No; probably I have not.

Mr. KING. My understanding is that the amendment of the Senator from Nebraska—and I only heard it read hurriedly—provided that this tax should not begin to apply unless there was an estate of more than $50,000, so that all the estates under $50,000 which went to men or women or children would not be subject at all to the gross income tax.

Mr. REED of Pennsylvania. That exemption of $50,000 applies, under the Senator's amendment, only to bequests to the wife or to a son or daughter.

Mr. KING. Of course, to that extent there would be a diminution from the nine billions which the Senator has declared is the estate which is transmitted annually.

Mr. SIMMONS. Oh, yes; if that provision went in, there might be that exemption in that particular instance, but that would not change the relative situation at all. That exemption would have to be uniform to put the case on an absolute parity, and when you put him upon an absolute parity the difference is between 3 per cent on $100,000 and 16 per cent on $100,000, 10 per cent on $2,000,000 and 25 or 26 per cent when figured as income.

Mr. President, I do not suppose that the Senate, if it understands this proposition, will think for a moment of indorsing it. If we are going to have a substitute for the inheritance tax, let us have a substitute that is reasonable.

Mr. NORRIS. Mr. President, before we vote on the amendment I have a few words to say. I am very sorry, indeed, that there are not more Senators here to hear it, but I suppose this coalition will not lose their grip on this amendment; so that the most I care for is to get a record vote, and to have the Senate called just before we take the vote, in order that they may hear the modifications that I propose to make in the amendment.

Here is a remarkable condition. The Senator from Utah [Mr. SMOOT] and the Senator from North Carolina [Mr. SIMMONS], who jointly have this bill in hand, and who are running along together as smoothly and as nicely as two Siamese twins, one as a pilot and another as an engineer of the steam-roller, both make speeches against this amendment. These two great statesemen, who see at a glance just what is going to happen to the country if this amendment is agreed to, tell the Senate what is going to happen. The burden of the song of the Senator from Utah is that it will raise only $250,000 in revenue, just a bagatelle. When he said that I thought he was going to say: "Well, we will just accept it. It does not hurt anything, because it will not tax anybody. It will raise only $250,000 in revenue." Of course, you know, an expert is a fellow who gives a direct, positive opinion about something that nobody else knows anything about, and the result is that they take his word for it, because there is not anybody who knows enough about it to contradict him.

Now, we come to the next expert, the assistant engineer on this machine; and the burden of his song is that this amendment, if enacted into law, will tax the very life and existence out of all the widows and orphans in our country. Take your choice, Mr. President.

The great Senator from Pennsylvania [Mr. REED] thinks that he has dealt the amendment a death blow when he makes a computation to show how much a widow with $150,000 coming to her by bequest would have to pay in the way of taxes. He, too, seems to be imbued with the idea that the tax is so great that nobody can stand it.

So the expert on the other side, if he has not been contradicted by his chief lieutenant or his general or his captain, as the case may be, here, I suppose would stand uncontradicted, and everybody would have to say: "Yes; this tax is too heavy." When they read what the Senator from Utah says, or if they listened to it, they would say: "Why, it is not worth voting for, because it does not tax anybody; it does not bring in anything." Then they would hear the Senator from Pennsylvania, another official on this steam-roller machine, and he says that in order for a widow to get $150,000 for nothing she must pay $16,580, or something of that kind. Personally, I do not think that is an exorbitant tax when you are getting that much money for nothing. Another Senator makes a computation with figures to show that a few men of great wealth in this country are paying the bulk of the taxes. That shows the viewpoints of people.

I thought that was one of the best arguments in favor of this amendment that has been made. I would not have dared make it, Mr. President. I would have been called a bolshevist. They would have said: "Here he is trying to gouge the millionaires; he is trying to put one class of people up against another and get them to fighting." But when men are behind this bill they endeavor to show by figures that a few men pay the most of the taxes and thereby demonstrate just what I want to prevent—that we are fast drifting to a point where the wealth of this country will be owned by a few people. I would not have said that if the Senator from Connecticut [Mr. MCLEAN] had not brought it out so forcefully, because I would have lacked the courage to say it. It would have brought down on my poor, weak, unhappy head a great many condemnations from men who would say that I was bolshevistic in my tendencies; but nobody would charge the Senator from Connecticut with being a bolshevist, and I hope I can adopt his argument without myself being shoved over even into the socialistic class.

Did it ever occur to you, Mr. President, following out that line—that is my text right now—that 2 per cent of the people of this country own more than 50 per cent of the wealth, and they ought to pay the taxes? In fact, they will have to if they are paid. You can not get blood out of a turnip; and with the enormous taxes that we have to raise, we must go where the money is to get it. I want to go where it will be gotten easily, without any burden, and that is what this amendment seeks to do.

The Senator from North Carolina [Mr. SIMMONS], it seems to me very unfairly, in giving figures as to what must be paid under this amendment, always computed the figures of the income tax as shown in the House bill. He had a perfect right to do that, but that is not the way to consider this amendment. This amendment is offered on the theory of the action of the Senate in striking out the income-tax figures of the House and cutting them down; so that, figuring it under the bill as it now stands—and I think that is a fair way to do it, and the only fair way—the various sums that he has given would always be very materially reduced.

Another thing the Senator does that I do not think is fair is this: In computing the amount that is to be paid by any given estate he always takes the estate as a whole. There is not one time in a thousand when that kind of an illustration would apply. The estate tax applies to the estate as a whole, but this amendment does not apply to the estate as a whole. This amendment applies to the various inheritances and bequests and devises; and, as I said, there will not be one case in a thousand where this amendment, if it should become a law, will ever be applied to an estate as a whole. That will happen only where the estate is not divided at all; and if it is not divided, it ought to apply. That is where the danger to our civilization lies—in not dividing up these great estates. Again, before somebody unduly criticizes me, let me say that I can back that up by the argument of the Senator from Connecticut [Mr. MCLEAN], who has told us how wealth is bearing all the burdens now.

In other words, if a man has an estate of $1,000,000, and he leaves children and divides it among them, or divides it among his friends, or, like the great Mr. Duke, for instance, divides it up into various parcels, the percentages in this amendment will apply to each one of the parcels. It will, therefore, not go up as high as it would if it were applied to the estate as a whole. That is the difference between an estate tax and an inheritance tax. Under the estate tax that we have now, or any other estate tax, the computations are based on the estate taken as an entity, taken as a whole. An inheritance tax reckons its percentages upon the various inheritances; and, as I said before, the amendment as it now stands could be completely avoided as far as taxation is concerned by any man if he would divide his property up into enough parcels, no matter how big it is. It would be possible, if this amendment should become a law, that any man in the United States subject to this law could avoid it entirely, and do it with perfect legality, if he divided his estate up into small enough parcels.

Mr. SIMMONS. That is, the Senator would make the tax very high because he is satisfied that it would be avoided?

Mr. NORRIS. No; I say he could avoid it. Under the illustrations that are continually given by the Senator from North Carolina, he takes the estate as a whole and figures on that, which, of course, never would be done in practice. It would not be the law, and I submit it is not at all fair to do that in the way of giving illustrations.

Mr. SIMMONS. I want to say to the Senator, if he will pardon me——

Mr. NORRIS. Certainly.

Mr. SIMMONS. In giving the basis of my final conclusion, the figures which I gave, $9,000,000,000, which would be subject to income tax under the Senator's amendment, represented, I find, only tangible property. They did not take in, as I thought they did at the time I was speaking, bonds and other

intangibles. If we should take in money and bonds and stocks, it would probably amount to twice that.

Mr. NORRIS. Is that the income that would come from it?

Mr. SIMMONS. Nine billion dollars, I said, was the amount of income tax that would have to be paid under the amendment of the Senator, representing the value of the tangible property, but if we include——

Mr. NORRIS. Let me get the Senator's idea. Does the Senator mean to say that if this amendment should become a law in one year there would be collected under it $9,000,000,000?

Mr. SIMMONS. I did not say that. I said that at once, according to the estimates—and, of course, these things all have to be estimated—the tangible property changing hands *annually by* death, which would be subject to income tax, would amount to $9,000,000,000.

Mr. NORRIS. In one year?

Mr. SIMMONS. Yes. The Senator complained that I did not give the benefit of the deductions and the benefits to the estate. He is talking now about an inheritance tax.

Mr. NORRIS. Yes.

Mr. SIMMONS. And not an estate tax. I am saying to the Senator that if I had added all the intangible property, changing hands each year by death, to this $9,000,000,000 of tangible property, it probably would have amounted to fifteen or sixteen or eighteen billion dollars of property that would annually be converted to capital subject to income tax.

Mr. NORRIS. The Senator gives me an idea that I had entirely overlooked. He suggested to me an argument in favor of this amendment that I had not thought of, and he has given me some figures to back it up. Outside of the intangible property, there would be about $9,000,000,000 that would become subject to the tax, he says. If we include the intangible property there would be about how much—$16,000,000,000?

Mr. SIMMONS. I have no figures on that.

Mr. NORRIS. What was the estimate?

Mr. SIMMONS. It was estimated that it would be probably very much larger, probably sixteen billion.

Mr. NORRIS. All right. Nine from sixteen leaves seven. Seven billion dollars of property, intangible, which to a great extent goes now absolutely untaxed, this amendment would get. That ought to be a sufficient reason for voting for the amendment.

One of the difficult things in the administration of our tax laws is the ability to tax intangible property. It can not be reached, and it is not reached, or a very small proportion of it is reached.

Mr. SIMMONS. Does the Senator mean——

Mr. NORRIS. According to the Senator's figures, not mine—I am not an expert—according to the Senator's figures, there is to be brought to the surface for taxation by this amendment $7,000,000,000 worth of intangible property which now, to a very great extent, escapes taxation, and which everybody admits ought to be taxed.

Mr. SIMMONS. Owners often escape taxation under the laws we have made levying taxes upon incomes, do they not?

Mr. NORRIS. All kinds of laws. We have never passed a law which covers it all.

Mr. SIMMONS. If they escape it now under the law, they will escape it under the new law.

Mr. NORRIS. The Senator is complaining that under this amendment it will not escape, and everybody knows that under an inheritance or estate tax it does not escape. That is one of the things which an estate tax or an inheritance tax reaches which no other law ever devised by the brain of man has succeeded in reaching in full.

Mr. SIMMONS. The point I made was this, that if these intangible properties are escaping taxes under the present income tax law, if we require that they be given in as part of a dead man's estate as income, the beneficiaries can evade that income tax, just as people are evading the present income tax.

Mr. NORRIS. No, Mr. President——

Mr. SIMMONS. But, as a matter of fact, the Senator knows——

Mr. NORRIS. I hope the Senator will permit me to go on. I will let the Senator interrupt me, but not to make a speech.

Mr. SIMMONS. The Senator has been criticizing me personally and otherwise in all the arguments he makes. His principal argument, and seemingly the one he most relishes, is an attack upon me. A little while ago he talked about my coalition with the other side. When we got to the automobile tax he was very glad to have me cooperate with him, and I did. When we got to the admissions tax he was very glad to have me cooperate with him, and I did.

Mr. NORRIS. I take off my hat to the Senator. I am glad the Senator did cooperate with me. I was tickled to death to have him do it.

Mr. SIMMONS. That showed the Senator that his statement about my alliance with these people, except in matters in which I agreed with them, just as I agreed with the Senator in the matters in which I voted with him, was unwarranted. The Senator then confessed that those arguments and those slurs he has been casting upon me were unwarranted and untrue.

Mr. NORRIS. No, Mr. President. In the first place, I did not cast any slurs. In the next place, I very, very gladly confess, I very gladly concede, that the Senator believes in everything he has ever professed, and that he went with the Senator from Utah because he agreed with the Senator from Utah. I never doubted that. I have said a good many times that as between the Democratic machine and the Republican machine it was just a choice between tweedledee and tweedledum. They do believe alike, I concede, perfectly honestly.

The Senator has made an estimate—and I take his figures—of $7,000,000,000 worth of intangible property. Everybody knows it escapes taxation almost entirely now. The Senator says it will escape it under this amendment. But no economist has ever asserted——

Mr. SIMMONS. No; I did not say it would escape it under this amendment. I said by the same method that it escapes it now, as the Senator says it does, if it does, it will do so under this amendment also.

Mr. NORRIS. All right——

Mr. SIMMONS. But the Senator and everybody knows——

Mr. NORRIS. The Senator has made his statement. I will accept it.

Mr. SIMMONS. The Senator made another statement that I want to answer.

Mr. NORRIS. I will let the Senator go on, certainly.

Mr. SIMMONS. The Senator said that under the present law all these bonds and securities and stocks and intangible stuff of that sort escape any tax at all, and he says everybody knows that is so. Everybody knows that the Senator is mistaken about it, and that they are now paying in the way of income taxes very considerable amounts. That tax constitutes a very large part of the taxes realized by this Government under the income tax law.

Mr. NORRIS. I think the Senator ought to modify his statement just a little. The RECORD will show that I said that intangible property to a great extent escapes taxation; that everybody admits it; and that everybody knows it. If I am wrong about it, and it does not escape taxation, then the Senator is right. But I make the statement—I made it a while ago, when the Senator interrupted me before—that under this amendment, under every inheritance tax law, under every estate tax law, intangible property does not escape taxation; that is, when a man is dead and when the administrator gathers together and itemizes all of his property. That is once when it does not escape taxation, if there is a law that taxes it. If there is no estate tax, if there is no inheritance tax, it escapes again and goes free of taxation to the men and the women and the corporations to whomever it is given, and who have never done anything to accumulate it or bring it together.

Mr. SIMMONS. Mr. President, will the Senator permit an interruption?

Mr. NORRIS. Yes.

Mr. SIMMONS. In the hands of a living man these bonds and stocks and securities pay an income tax upon their earnings under the present law, and it is a very difficult matter I should think for them to escape.

Mr. NORRIS. There is a great deal of tax paid under it, there is no question about that. Not all intangible property escapes taxation.

Mr. SIMMONS. But the Senator says that when a man dies he wants to treat these notes, these bonds, these choses in action, these securities, as representing income to his heirs, his legatees, or his devisees, and tax the whole volume of the estate, both personal and real, tangible and intangible, as 100 per cent income.

Mr. NORRIS. Is that the question of the Senator? He has not even an interrogation point after it this time. What does the Senator want me to do?

Mr. SIMMONS. That is all I want to say.

Mr. NORRIS. All right. Again, these estates, under this amendment, are not taxed as a whole. This particular amendment would not be any better than any other estate tax or inheritance tax, as far as gathering intangible property of a dead man together is concerned, but unless the property is shown up somewhere nobody gets it.

When a man dies, the administrator or the executor gathers all his property, and everybody who is interested in his property is anxious to see gathered together just as much as possible, and none escapes. This would tax it as income to those who get it. It does not tax the man who owned it. It does not levy any tax on the estate. There is nothing to that. The computations which have been made here by the dozen, figured on the estate, have no application whatever to this amendment.

Mr. SIMMONS. Mr. President, the computation I made was based upon a flat tax of 5 per cent. The Senator knows that under the income tax law it goes up to as high as 24 per cent. We put it at 5 per cent, then estimated that it would not probably exceed 10 per cent. It might reach 10 per cent, but even with a rate of 5 per cent we would get from this tax $450,000,000.

Mr. NORRIS. Four hundred and fifty million! Here are the two experts, the Senator from Utah and the Senator from North Carolina; one says $450,000,000, and the other says $250,000.

Mr. SIMMONS. No, Mr. President; I did not say that. I said the Actuary of the Treasury, Mr. McCoy, had made the calculation——

Mr. NORRIS. The Senator did not say that before, but——

Mr. SIMMONS. I did say that in my speech.

Mr. NORRIS. The Senator did not say it just now.

Mr. SIMMONS. No; what was the use of repeating it?

Mr. NORRIS. I will let the Senator put it in his own words. I hope he will be patient.

Mr. SIMMONS. I am not impatient.

Mr. NORRIS. No; I know the Senator is not, but I was in hopes he would be.

Mr. SIMMONS. I thought the Senator had in mind trying to make me impatient, but I am not going to let him succeed.

Mr. NORRIS. I am not succeeding at all, if that is my object. Everybody can see that. The Senator is very calm. I congratulate him.

Let us come again to these two leaders here—and I hope nobody will be offended when I call them the two leaders. The Senator from Utah says this tax will raise $250,000, and the Senator from North Carolina says it will raise $450,000,000. They are just a little bit apart in their estimates for two men who are handling this tax bill. If the rest of us wander around and stagger and tumble and fall when our leaders are as far apart as that, I do not think there ought to be any criticism. There is a difference of a little over $449,000,000 between these men as to the income this will produce.

Mr. SMOOT. It is useless to interrupt the Senator, but I said that under the gift tax there would be not to exceed $250,000. That is exactly what I said.

Mr. NORRIS. Do not try to get out of it like that. I will accept the Senator's word, if he says he said that.

Mr. SMOOT. That is exactly what I said.

Mr. NORRIS. Did the Senator write it down on the paper he has before him?

Mr. SMOOT. No; I have it here, though.

Mr. NORRIS. I see the Senator has it in typewriting.

Mr. SMOOT. No; that is the Senator's own proposed amendment.

Mr. NORRIS. That is my amendment, and that is what the Senator said would raise $250,000.

Mr. SMOOT. No; that is not the figure. That is $2,000,000 that I had reference to.

Mr. NORRIS. I do not mean those figures. I am referring to the amendment. The Senator said right at the beginning of this debate, said it right out in the open, and I have no doubt but that the reporter has it in the RECORD——

Mr. SMOOT. If it is, it will be there to-morrow.

Mr. NORRIS. I hope so.

Mr. SMOOT. There is no doubt about it.

Mr. NORRIS. I hope so. It is quite immaterial whether it is there or not. I only meant that those figures show, after all, that all great men are human, and here are two great men, one or the other of whom, if not both of them, must be mistaken. I am inclined to think we will find out, if this amendment shall be put in and allowed to run a year and tried out, that neither one has come within a few dollars, at least, of being correct.

Mr. SMOOT. I was discussing the gift tax. For the first six months of 1925 we collected $138,619.84, and twice that amount would be a little over $250,000, just as I said. I do not know anything about what basis the Senator from North Carolina used.

Mr. SIMMONS. I told the Senator I was giving the estimate of the Actuary of the Treasury.

Mr. SMOOT. The Senator asserted I was not referring to the gift tax at all.

Mr. SIMMONS. No. I was referring to the income tax.

Mr. NORRIS. The Senators were both referring to my amendment.

Mr. SMOOT. I was referring to the gift tax.

Mr. NORRIS. But I was discussing the amendment. The Senator from Utah interrupted when somebody asked the question and said it would bring in $250,000.

Mr. SMOOT. The Senator is mistaken, because I stated——

Mr. NORRIS. All right; suppose I am mistaken?

Mr. SMOOT. Let me complete my statement.

Mr. NORRIS. It is nothing but an estimate in either case. It is not any great sin. I only want to call attention to how far two men differ, but I do not think either one is right or that the expert in the Treasury is exactly right, and I do not care very much. It is not material so far as the amendment is concerned. I just mention it in passing.

Mr. SMOOT. I simply say that when I was discussing the question I stated that if we did not have an inheritance tax there was no good in having the gift tax, and the Senator agreed to it.

Mr. NORRIS. Yes; I said the same thing.

Mr. SMOOT. Then when the question arose as to what the gift tax would bring in, I said the gift tax now would bring in about $250,000 a year. That is all there was to it.

Mr. NORRIS. Now the Senator has had his say and I have just as much respect for his judgment as I have for my own, and that is saying a good deal. But I want to give my version of it. The Senator is talking of a time that is entirely different from the time I am speaking of. It was not when the Senator said if there was no inheritance tax a gift tax would not be necessary that he said that the gift tax was bringing in $250,000. That is not the time I referred to at all.

Mr. SMOOT. It was the time I referred to, though.

Mr. NORRIS. The Senator will certainly permit me to have my opinion as to what he said. The Senator will do that, will he not?

Mr. SMOOT. Is not that when I interrupted the Senator?

Mr. NORRIS. I am just about to tell. When I was discussing it some one, I do not know who it was, asked the question, "How much will it raise?" and the Senator, without getting out of his seat—it was not when he was debating it, but when he was seated in his place—said $250,000. Of course, I may be entirely wrong and the Senator from Utah may be entirely right. Ordinarily I would say that I was wrong and the Senator was right, but so often in the few years I have been here I have found that even the Senator from Utah is sometimes mistaken that I am inclined to think perhaps he may be mistaken now.

Let us remember the fundamental difference between an inheritance tax and an estate tax. The estate tax uses as the basis the entire estate. For instance, let us say we have an estate of $5,000,000 and there is a flat estate tax of 1 per cent. We would reckon 1 per cent on $5,000,000. Then let us say it goes as high as 10 per cent when it gets to $10,000,000. With an estate of $12,000,000 we would have $2,000,000 above the $10,000,000, and that would be figured at 10 per cent. Now let us take that same estate of $10,000,000 and apply the inheritance tax to it. Suppose the owner of that estate had five children and gave each one of them one-fifth of his estate. Each one would get $2,000,000. We would start to compute the rates and would stop at $2,000,000 in each case, so we would never reach the high brackets. That is the difference. So when the Senators take up my amendment and take an estate named at a specific figure, and calculate the tax it will pay, they have not made a fair application of the proposition because, while I concede that there might be an estate not divided at all, that very seldom happens.

Mr. KING. Mr. President, will the Senator yield?

The VICE PRESIDENT. Does the Senator from Nebraska yield to the Senator from Utah?

Mr. NORRIS. Certainly.

Mr. KING. What would be the tax upon an estate of $10,000,000 undivided?

Mr. NORRIS. I have not figured it, but I will say to the Senator that when we get above $100,000, taking the bill as amended by the Senate, it would be 20 per cent on all above $100,000, and under $100,000 it would take the rates running down to the deductions of income brackets.

Mr. KING. It would be less than 20 per cent approximately?

Mr. NORRIS. Oh, yes.

Mr. KING. Between 15 and 18 per cent?

Mr. NORRIS. Yes; but the Senator well knows that an estate of $10,000,000 does not usually pass in one estate. It is

not once in a thousand times that one person gets the estate either by act of law or by the will of the testator. I suppose it is fair to say that five or six divisions would be the average. Take a $10,000,000 estate and divide it up into enough portions, and they would not reach up to the high brackets like they would if it was all counted as one bulk, like the estate tax would do. That is the point I want to make.

To my way of thinking no one has offered a valid objection to my amendment.

Mr. KING. Mr. President, will the Senator permit an inquiry?

Mr. NORRIS. Yes.

Mr. KING. I was wondering whether the Senator had any information as to the number of estates under $50,000? The Senator from North Carolina stated, if I understood him correctly, that, accepting the general view, the estates of all decedents in a year would amount to about $9,000,000,000.

Mr. SIMMONS. Of tangible property.

Mr. KING. Just tangible?

Mr. SIMMONS. Just tangible property.

Mr. KING. Not intangible?

Mr. SIMMONS. I was making my statement based upon tangible property only. It does not include bonds, it does not include stocks, and it does not include securities of any kind.

Mr. KING. I was wondering if the Senator from Nebraska had any figures as to the proportion of estates in value, if not in numbers, during the year?

Mr. SIMMONS. Does the Senator mean under the inheritance tax?

Mr. KING. Yes.

Mr. SIMMONS. I can give the Senator the figures if the Senator from Nebraska will permit me to do so.

Mr. NORRIS. Oh, yes; I yield.

Mr. SIMMONS. The returns of net estates subject to inheritance tax in 1924, the last year of which they have a record, were 13,759 in number. The table shows that estates under $50,000 subject to tax—the $50,000 exemption had not been taken out—were 6,452, nearly one-half of the total. The table further shows that the number of returns of estates between $50,000 and $150,000 was 2,391; estates between $150,000 and $250,000, number of returns, 742; between $250,000 and $450,000, number of returns, 566; between $450,000 and $750,000, number of returns, 266; between $750,000 and $1,000,000, number of returns, 94; between $1,000,000 and $1,500,000, number of returns, 86; between $1,500,000 and $2,000,000, number of returns, 36; between $2,000,000 and $3,000,000, number of returns, 23; between $3,000,000 and $4,000,000, number of returns, 9; between $4,000,000 and $5,000,000, number of returns, 1; between $5,000,000 and $6,000,000, number of returns, 4; between $6,000,000 and $7,000,000, no returns; between $7,000,000 and $8,000,000, number of returns, 2; between $9,000,000 and $10,000,000, number of returns, 4; over $10,000,000, number of returns, 5. Those figures are taken from the statistics of incomes for 1924.

Mr. KING. I want to call the attention of the Senator from Nebraska to the fact—and the figures which the Senator from North Carolina has given corroborate me in the view which I had, and as I had remembered the figures—that the great majority of the estates were under $50,000. As I understand the Senator's amendment, it would tax gifts, but anything below $50,000 would not be subject to tax, which his amendment contemplates. Therefore the great majority of the property of decedents would not be subject to the tax proposed by the Senator's amendment. When the Senator contemplated such *an enormous amount* of revenue based upon the presumption of $8,000,000,000 or $9,000,000,000 or $10,000,000,000 transmitted by death—that is, that there was that amount of property devolved by death upon others—he failed to take into account, or at least it was not stated, that the greater part of this property would probably be held by estates under $50,000 and not subject to taxation.

Mr. NORRIS. I think the Senator from Utah has made the point very clear, and it is a complete answer to 90 per cent of what the Senator from North Carolina has said in his argument.

The amendment will get taxes from securities that are now tax free. It will get intangible property that to a great extent is tax free now. It does not tax the man who owns the property, something that is not true of every other tax. It only taxes the person who gets the property for nothing, so that it can be no hardship and no burden. It will bring in quite a large amount of revenue.

I want to return again to the illustration I made when I began and to conclude with it. Here are two people, one of whom works and labors and accumulates an estate of $10,000, let us say. He may have done it on the farm. He may have done it in the chair. He may have done it in the counting-house. He may have done it in the pulpit, although I doubt that very much. He may have done it in the Senate, even. He has a net estate of $10,000. He has earned every dollar of it. He has toiled for it. He has given the sinews of his life for it. It may be that it cost him many a drop of sweat and many a day of weary labor and toil and some suffering. To save the money he may have sacrificed all the luxuries of life and many of the necessities. He is laying by something for his children and for his wife, perhaps, if he should be called away by death. He makes $10,000 in that way, and the heavy hand of the Government reaches out and taxes him. I do not complain. That is all right. It is the law, and ought to be the law. We must pay taxes. But at least we ought to remember that that man has earned every penny by his own efforts.

Here is another man who is a vagabond, who never earned a penny in his life, who has never done anything in the world but to pull civilization just a little bit lower down, he spends the money given to him by lavish parents for luxuries, in high living, perhaps in debauchery; his life is doing no good; he is not helping the country; he is not helping to advance civilization, but in the same year that this other man is earning $10,000 this vagabond's parent dies and leaves him $10,000. He gets every cent of it tax free under the law. Is that right? Has anybody in this debate yet defended that or shown a reason why it should be? All the sympathy which has been extended to the overtaxed rich man can not apply to an inheritance like this. The man who gets it gets it for nothing, and Senators who oppose this tax do not want him to pay anything for it.

I said at the beginning, Mr. President, that if there were any disposition to think that I have not given a sufficient amount of exemption in my amendment I would be willing to raise it, and I am going to do it now. I am going to modify my amendment so that it would give exemption from taxation in every case used as an illustration by any opponent of the amendment when it comes to the widow or the children. I do not think the exemptions ought to be so great as I am going to make them, but I am going to meet the arguments of Senators who oppose the amendment by liberalizing it and entirely eliminating from taxation every case used as an illustration by any Senator in opposition to the amendment, so that what taxes will be left will come from those who are so wealthy that even if they were levied and were to be taken from their property they would not find it out unless they saw it done, and those who get the property would never feel the difference.

Some Senators have even spoken in favor of an inheritance tax when we had the estate tax before us for consideration. I have been told that one of the members of the Finance Committee made a plea here for an inheritance tax as compared to an estate tax. Now is the opportunity to get it; but will we get the votes of those Senators?

The argument that has been made here, in the main, so far as it has been, in my judgment, a logical argument, is one that applies to every estate or inheritance tax, whether it be State or national. Do not forget, Senators, that this propaganda that has originated in New York and spread over the country in favor of a repeal of the Federal estate tax is a part of the propaganda to wipe every inheritance and estate tax from the statute books in every State in the Union. Do not worry about it; it will come. Eliminate the Federal estate tax and put the States in competition with each other, and they will invite wealthy men to come within their borders by freeing them from the payment of inheritance and estate taxes. Advertisements are now being published in the newspapers all over the country that Florida is a place where the rich man will escape taxation. Senators themselves may read those advertisements. The States adjoining will have to give up their inheritance taxes. Those who are crying aloud now that they want to repeal the Federal estate tax because they want the States to use it may be in perfect earnestness, may be perfectly determined, perfectly honest in motive, for there are some people undoubtedly who believe that, but the great momentum behind this propaganda, and the great movement which has originated in Wall Street to cause us to obey our master's voice at the other end of the Avenue to repeal the inheritance tax is born of the desire to get rid of all inheritance taxes.

I wish to say that everyone knows, if he will think about it, that it will be an impossibility to get a uniform inheritance tax or an estate tax adopted by the States. Everybody knows it and nobody knows it better than do those who are behind this propaganda. It can not be done and it will not be done. What we will be doing by the repeal of estate and inheritance taxes will be the establishment of refuges for millionaires in the different States of the Union. A State in its own defense will have to repeal its inheritance tax, or property will move out of

its borders to States in which taxation is less. The result will be that the inheritance taxes in a few years will be an unknown quantity.

Now, Mr. President, I modify my amendment by changing the exemption of $5,000 in the value of every gift bequest or devise to $25,000, and by changing the exemption in the case of a widow or children from $50,000 to $200,000.

Remember, this amendment is proposed to come in on page 43, where the exemptions from gross income are itemized. Paragraph (3) provides for one of the exemptions. As the bill now reads, it provides:

The value of property acquired by gift, bequest, devise, or inheritance—

That means that is to be exempted and not accounted as a part of the gross income.

(but the income from such property shall be included in gross income.)

My amendment is added to that language.

First, before I read the amendment as I propose to modify it, let me say that providing in the proposed law that bequests and inheritances coming to persons shall not be included in making out their income-tax returns is based on theory that such inheritances and devises and estates have been otherwise taxed. Now, in this bill we have repealed the estate tax, so that there is no reason why these objects should be free, and they should accordingly be included in gross income.

In addition to those exemptions which I have provided in the amendment, inheritances will be subject to all the other exemptions of the income-tax provisions, so that the amendment does not embrace all of the exemptions. As proposed to be modified, my amendment reads as follows:

The value of property acquired by gift, bequest, devise, or inheritance (but the income from such property shall be included in gross income): *Provided*, That the excess in value above $25,000 of any gift, bequest, devise, or inheritance shall be considered and accounted for as gross income: *Provided further*, That any gift, bequest, devise, or inheritance from a husband to his wife or from parent to son or daughter shall not be considered as gross income, except as to the excess of such gift, bequest, devise, or inheritance above $200,000.

If the amendment be adopted in that form, every illustration that has been given here will be tax free, so far as the amendment is concerned.

Mr. KING. The Senator diminishes the first exemption from $50,000 to $25,000 and increases the last exemption from $50,000 to $200,000?

Mr. NORRIS. I propose to increase the $5,000 exemption to $25,000, and the other from $50,000 to $200,000. If no other Senator now desires to speak, I ask for the yeas and nays on the amendment.

Mr. SIMMONS. Mr. President——

The VICE PRESIDENT. The question is on the amendment proposed by the Senator from Nebraska [Mr. NORRIS].

Mr. COUZENS. I suggest the absence of a quorum.

The VICE PRESIDENT. The Secretary will call the roll.

Mr. SIMMONS. Mr. President, I was on my feet seeking recognition, and I hope the Senator from Nebraska will permit me to proceed. I desire to detain the Senate merely for a minute or two.

The VICE PRESIDENT. The Senator from North Carolina will proceed.

Mr. SIMMONS. Mr. President, my connection with the tax measures of the Nation as a member of the Finance Committee began 15 years ago, and by reason of the fact that I have been long engaged in the framing of such bills, and in an earnest and honest effort to try to equalize taxation in the United States, I think that I am under a peculiar obligation, although I am not a member of the majority party, to the Senate and to the country as well to scrutinize and try to understand the effect of the different provisions of the pending bill and of the various amendments which have been offered to it, and at least to give, for what they may be worth, the benefit of my judgment and my information.

The Senator from Nebraska [Mr. NORRIS] refused to give any consideration in his argument to the facts and figures which I furnished the Senate, showing the difference in the amount of tax that the dead man's estate would have to pay if the whole estate be treated as income and what the heirs would have to pay if it be treated as capital. The Senator is perfectly confident that whatever he proposes here is correct and sound and just, but I have not that confidence in his judgment about these matters. I am sure that in presenting this amendment he has given the matter no adequate investigation and that he does not understand the effect of the taxes that will have to be paid under his amendment as compared to those which would be paid under the inheritance tax.

The fundamental defect of his amendment is that he proposes to impose the rates of the present income tax law upon the entire estate when it comes into the hands of the devisee or the heir of the dead man. I have shown by comparing the rates imposed in the estate-tax provisions of the House bill with the rates imposed on income in that bill that the tax under his amendment would amount to a tax, in some instances, as high as from five to six times as much as would be paid under the estate-tax provisions of the House bill, and two or three times as much as would be paid under the estate tax provided for in the act of 1924, which prescribed a rate of 40 per cent.

The Senator from Nebraska has stated that his amendment is in the nature of a substitute for the estate tax. If it is to take the place of the estate tax, it is, therefore, legitimate that I should compare, as I have done, the tax that would be paid under the estate-tax provisions in the House bill and the tax that would be paid upon the same estate if it be treated as income and transferred to the income column of the House bill.

Without meeting the facts that I have given, without attempting to analyze them with reference to the relative rates, without denying even the rates that I have read to the Senate, the Senator seeks to parry the effect of this statement of fact taken from the record by saying that he proposes to substitute in part an inheritance tax for an estate tax; that under an estate tax the estate of the dead man worth a million dollars would be divided among his kinsfolk and would not have to pay, therefore, the high rates under the higher brackets.

All of that I had discounted in my figures. The estimate which I gave of $450,000,000 a year as the revenue that this country might expect to realize from the bill if the amendment of the Senator were adopted was based upon the amount of tangible property that would be transmitted. Everybody knows that the tangible property of the United States is not much more than one-half of the property of the United States. Intangible property was not included in my figure of $9,000,000,000. Mortgages and notes, bonds and stocks, securities of all kinds, were not included. They are not included, and they ought not to be included for the purpose of the argument that I made. But, Mr. President, the amount of bonds and stocks that were not included would more than compensate for this distribution of which the Senator speaks, would more than compensate for these reductions he claims. Even if the distribution should result in reducing the amount of property to be given in his income one-half—and it would not—then my figures would hold, because my figures apply only to about one-half of the property of the United States; and what I said—and the Senator has not answered that—was this:

Take this one-half of the property of the United States, represented by its tangible property. It is valued at $330,000,000,000. It is estimated—and the figures of the past experience of the department confirms the estimate—that about $9,000,000,000 of this tangible property passes every year by reason of the death of its owner. Seven or eight billions, probably, of intangible property passes during that time. I have not included the intangibles, because I supposed that if we went upon the inheritance plan there would be a distribution instead of a flat levy, and I therefore left a margin of probably seven or eight or probably as much as nine billions of dollars to cover that loss by reason of subdividing and distributing these estates before applying the tax rate instead of taxing them in a lump.

But, Mr. President, I went further than that. The figures of $450,000,000 which I gave were based upon the theory that these estates would not have to pay as income tax more than 5 per cent, and I stated that 5 per cent would cover only the normal tax; but for the purpose of demonstrating the enormous tax that it was proposed to have paid, for the purpose of showing the enormous revenue that the Government would obtain, instead of applying the average tax in the income schedules, which would probably be 10 or 12 per cent, I took only the normal rate of 5 per cent and applied it. Applying this low normal rate of 5 per cent to this nine billions of property representing probably only one-half of the estates of men who die, we get an income of $450,000,000 from this tax, whereas under the present estate tax we get only about $105,000,000 or $110,000,000 a year.

But, Mr. President, I think the Senator and all Senators see that my estimate was entirely too low. I stated then, and I say now, that the Actuary of the Treasury, looking at this with his great experience, having to make as he does the estimates upon which all of our tax levies are based, looking at all of those elements of this problem, advised me that he

thought that probably, instead of $450,000,000 being realized by the Government from this source of taxation, it would be nearer $900,000,000 if this amendment should be agreed to. Of course, the Senator from Nebraska will reduce that a little by the reductions that he proposes to make, but I am confident that all the reductions that he proposes in his modification, which he was driven to propose to the Senate because the outrageous character of his amendment had been exposed by myself who just preceded him, would not reduce below $600,000,000 the amount to be derived from these death taxes, taxes which he proposes shall be imposed by the Government upon the estates of dead men, men who died during the current year; and that amount of $600,000,000 is more than we are now realizing from all the income taxes that we impose upon the incomes of living men.

In other words, there are 13,000 dead men, we will say, according to the figures I have given, whose estates must pay, by converting what is capital into income, $600,000,000 to the Government every year, while the 7,000,000 income-tax payers, including these hated millionaires, mention of whose name is like a red flag flaunted in the face of the Senator from Nebraska, would pay $150,000,000 a year less than that amount.

But, Mr. President, the oppressiveness of this proposition is not fully stated by the figures I have given. It is worse even than that.

Shortly after we imposed the moderate inheritance tax of 25 per cent upon estates representing one-fourth of a dead man's estate it was discovered by the Treasury Department that if all of that money had to be paid at once it would amount in many cases to absolute confiscation, making it necessary to throw the property of the estate upon the market and sell it at sacrifice prices. In many instances it would have amounted to confiscation. When those facts were brought to the attention of the Finance Committee we at once proceeded to insert in the tax bill a provision, which was absolutely fair and just, to the effect that on account of the enormous imposition growing out of a flat tax of 25 per cent upon all the accumulations of the lifetime of a dead man, his estate should be given several years in which to pay that tax. We first gave them two or three years, and then finally we were driven to the necessity of giving them six years in which to pay the tax; and in connection with this very bill, Mr. President, the Actuary of the Treasury has presented figures showing that the inheritance taxes imposed under the act of 1924 for the last year, amounting to $415,000,000, will not be paid until the end of the year 1932. In other words, they have six years in which to pay these taxes. The proposition of the Senator now is to take all of the property of these 13,000 inheritance-tax payers and convert it into income, and require them to give in that income for the year 1926, payable when? Every dollar of it payable during the year 1926.

A man might without embarrassment pay the taxes upon the income realized from a very large estate within one year, but when he is required to treat all of his estate as income in one year and pay the tax on it in that year, you can see what the difference is.

You can see what a burden it is. Instead of paying the tax upon $60,000, probably a high estimate of the income in 1926, he would have to pay a tax upon an income of $1,000,000—not the actual income, but the income tax upon $1,000,000 of net income.

Mr. President, I wish we could discuss these bills always from the standpoint of fairness and justice as between taxpayers. From such a viewpoint, I think we would see that the proposition of the Senator from Nebraska in this case is one of the most oppressive, one of the most unjust, one of the most unreasonable propositions ever presented to the American Senate and the American Congress. Instead of that, however, we are led off into all sort of tangents when we go to discuss it; and we had this morning an hour's speech from the Senator from Nebraska, not five minutes of which was devoted to an attempt to answer the figures that were presented, but the whole of which, with the exception of a few minutes, was devoted to general discussion of the question of whether a rich man ought to be "soaked" more than a poor man, or whether a poor man ought to be left free of all taxation and all the burden of taxation placed upon the rich.

The VICE PRESIDENT. The question is upon the amendment proposed by the Senator from Nebraska, as modified.

Mr. NORRIS. I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. REED of Missouri. Mr. President, let the amendment be stated.

The VICE PRESIDENT. The Secretary will state the amendment.

The CHIEF CLERK. On page 43, after line 13, it is proposed to insert the following:

Provided, That the excess value above $25,000 of any gift, bequest, devise, or inheritance shall be considered and accounted for as gross income: *Provided further*, That any gift, bequest, devise, or inheritance from a husband to his wife or from parent to son or daughter, shall not be considered as gross income except as to the excess of such gift, bequest, devise, or inheritance above $200,000.

The VICE PRESIDENT. The roll will be called on agreeing to the amendment.

The Chief Clerk proceeded to call the roll.

Mr. FERNALD (when his name was called). I have a general pair with the senior Senator from New Mexico [Mr. JONES]. I transfer that pair to the senior Senator from Vermont [Mr. GREENE], and vote "nay."

Mr. FLETCHER (when his name was called). I have a general pair with the junior Senator from Delaware [Mr. DU PONT]. I understand that if present he would vote as I would vote on this question. I therefore vote "nay."

Mr. HOWELL (when his name was called). I have a pair with the senior Senator from Kentucky [Mr. ERNST]. In his absence I withhold my vote. If I were permitted to vote, I would vote "yea."

Mr. KING (when his name was called). I have a pair with the junior Senator from Minnesota [Mr. SCHALL]. In his absence I withhold my vote.

Mr. McLEAN (when his name was called). I have a pair with the junior Senator from Virginia [Mr. GLASS]. In his absence, I withhold my vote. If I were at liberty to vote, I would vote "nay."

The roll call was concluded.

Mr. McNARY (after having voted in the affirmative). When my name was called, I responded and voted. I am reminded that I have a pair this day with the Senator from Maryland [Mr. BRUCE]. In his absence, I withdraw my vote.

Mr. NEELY. I have a general pair with the senior Senator from New York [Mr. WADSWORTH], but I am informed that if he were present he would vote as I intend to vote. I vote "nay."

Mr. BLEASE. I have a pair with the junior Senator from Missouri [Mr. WILLIAMS], who is absent. If he were present he would vote "nay," and I would vote "yea."

Mr. NORRIS. I desire to announce that the junior Senator from Iowa [Mr. BROOKHART] is unavoidably detained from the Senate. He is paired with the Senator from Arkansas [Mr. CARAWAY]. If the junior Senator from Iowa were present, he would vote "yea."

I also announce that the senior Senator from California [Mr. JOHNSON], who is unavoidably absent from the Chamber, is paired with the senior Senator from Arkansas [Mr. ROBINSON]. If the senior Senator from California were present, he would vote "yea."

Mr. JONES of Washington. I desire to announce the following general pairs:

The Senator from Colorado [Mr. MEANS] with the Senator from Texas [Mr. MAYFIELD];

The Senator from Connecticut [Mr. BINGHAM] with the Senator from Nevada [Mr. PITTMAN]; and

The Senator from Illinois [Mr. McKINLEY] with the Senator from Virginia [Mr. SWANSON].

Mr. McLEAN. My colleague [Mr. BINGHAM] is unavoidably detained from the Chamber.

Mr. SIMMONS. The senior Senator from Arkansas [Mr. ROBINSON] has not instructed me in regard to this vote, but from what I know of his general views of the matter, I am sure that if present he would vote "nay."

Mr. REED of Pennsylvania. The senior Senator from New York [Mr. WADSWORTH] is unavoidably absent. If present, he would vote "nay."

Mr. GLASS. I vote "nay."

The result was announced—yeas 13, nays 57—as follows:

YEAS—13

Borah	Frazier	Norris	Wheeler
Couzens	La Follette	Nye	
Dill	McMaster	Shipstead	
Ferris	Norbeck	Walsh	

NAYS—57

Ashurst	Edge	Harreld	Oddie
Bayard	Edwards	Harris	Overman
Bratton	Fernald	Harrison	Pepper
Broussard	Fess	Heflin	Phipps
Butler	Fletcher	Jones, Wash.	Pine
Cameron	George	Kendrick	Ransdell
Capper	Gerry	Keyes	Reed, Mo.
Copeland	Gillett	McKellar	Reed, Pa.
Curtis	Glass	Metcalf	Robinson, Ind.
Dale	Goff	Moses	Sackett
Deneen	Hale	Neely	Sheppard

Shortridge	Stanfield	Underwood	Willis
Simmons	Stephens	Warren	
Smith	Trammell	Watson	
Smoot	Tyson	Weller	

NOT VOTING—26

Bingham	Ernst	Lenroot	Robinson, Ark.
Blease	Gooding	McKinley	Schall
Brookhart	Greene	McLean	Swanson
Bruce	Howell	McNary	Wadsworth
Caraway	Johnson	Mayfield	Williams
Cummins	Jones, N. Mex.	Means	
du Pont	King	Pittman	

So Mr. NORRIS's amendment was rejected.

Mr. REED of Pennsylvania. I send to the desk the following amendment.

The VICE PRESIDENT. The Clerk will state the amendment.

The CHIEF CLERK. On page 23, line 16, after the word "value," insert the words "or to paragraph (2) of subdivision (c) of section 204."

Mr. REED of Pennsylvania. This is a mere clerical correction. We made the correction in the provision regarding net gains, but it has been omitted in the provision about net losses. I took the liberty of offering the amendment. I did not see the Senator from Utah in the Chamber at the moment. I know we have discussed it before.

Mr. KING. That meets the approval of the Treasury experts?

Mr. REED of Pennsylvania. I think it meets everybody's approval.

Mr. SIMMONS. Is that one of the amendments submitted to the Senator from Pennsylvania and the Senator from Utah to be adjusted?

Mr. REED of Pennsylvania. It is one of the technical amendments of the class submitted to us.

The amendment was agreed to.

Mr. REED of Pennsylvania. There is another correction I want to have made on page 299, in line 19. I ask to have the vote by which the committee amendment was agreed to reconsidered, and then I shall move to insert after the word "who" the words "knowingly and." This is suggested by the Senator from Virginia [Mr. SWANSON]. It seems to me that the word "wilfully" includes the idea of "knowingly," but in order that there may be no doubt about it, we have consented to make the correction.

The VICE PRESIDENT. Without objection, the vote by which the committee amendment on page 299, beginning with line 19, was agreed to, will be reconsidered, and the question is on agreeing to the amendment offered by the Senator from Pennsylvania to the committee amendment.

The amendment to the amendment was agreed to.

The amendment as amended was agreed to.

Mr. MOSES. I send to the desk the following amendment.

The VICE PRESIDENT. The clerk will read the amendment.

The CHIEF CLERK. On page 263, at the end of line 8, insert a new sentence, to read:

> Despite the foregoing provisions of this subdivision, such credit or refund may be allowed or made in respect of any taxable year if a deficiency is asserted by the commissioner in respect of any of the seven succeeding taxable years; but no such credit or refund shall be allowed or made unless it appears that the taxpayer has overpaid the tax for the taxable year to which the claim for credit or refund relates, even though the assessment of a deficiency for such taxable year is barred by an applicable statute of limitations.

Mr. MOSES. This is the amendment which I offered during the session last night and to which exception was taken by some of the experts advising the committee. I now find some literary vindication in the language of the amendment, the experts having discovered that it is not a unilateral provision, but that it affects the Government as well as the taxpayer.

I hope the committee may see fit to accept this amendment and permit the matter to go to conference, because it is a question which, in my opinion, affects a great number of smaller taxpayers of the country, who, having made out their tax returns in previous years, discover now, when they are being checked up on later years by the authorities from the Internal Revenue Bureau, that they have overpaid in years past, and now a deficiency is claimed against them, but they can get no credit for the overpayments.

As I said last night frankly, this is an amendment to extend the statute of limitations; but it seems to me that it is entirely a justifiable extension, and particularly so because it applies to the Government as well as to the taxpayer.

Mr. KING. Mr. President, may I ask the Senator a question?

Mr. MOSES. Certainly.

Mr. KING. I have not seen the amendment until just now, but would it not permit a taxpayer to revive his accounts and, if he discovered some additional depreciation or amortization for 1917 or 1918, to tender that as an offset against any valid claim which the Government had against him for failing to pay his entire tax?

Mr. MOSES. That is not my opinion under the amendment as drawn. I will say to the Senator from Utah that the amendment was finally put into form in the legislative drafting bureau and was for the purpose simply of permitting any excess of payment which was discovered in the original return within the seven years' limit to be permitted to be applied to the deficiency now claimed; that it was not a reopening of the return at all, but it was simply an application of the rules, which the auditor of the bureau employs in checking up the current accounts, to the entire series of returns made by the taxpayer. I have had a great many letters of complaint, particularly from the smaller business men in northern New England, who this winter have found themselves confronted with the situation, where the traveling auditor from the internal revenue office, checking up an account within the statute of limitations, discovers that while the series of returns has been made in exactly the same manner throughout the years by the taxpayer, nevertheless he had overpaid in years previous and had no redress, while a deficiency is now claimed against him.

Mr. KING. But it would mean, as an illustration, if A overpaid $100 as the rules and regulations or as the law may now be interpreted, and the auditors in checking up his accounts find he is owing for 1923, $100, then he is permitted, notwithstanding the running of the statute of limitations which would bar his recovery from the Government, to offset the $100 which he claims now to have overpaid in 1917.

Mr. MOSES. Not which he claims to have overpaid, but which is shown to have been overpaid.

Mr. KING. Under the new regulations, or under the modern interpretations, he is permitted to revive the statute of limitations or, rather, to disregard it, and to offset against the $100 which he actually owes the $100 which has been barred by the statute of limitations.

Mr. MOSES. I think I must have been rather clumsy in my use of language if I did not make that clear in my original statement. That is exactly the purpose of the amendment.

Mr. KING. It is to set aside the running of the statute of limitations.

Mr. MOSES. To the extent of seven years, and I have no desire to make it appear anything else.

Mr. KING. It seems to me that is a very dangerous amendment.

Mr. MOSES. It is a very just one, I will say to the Senator from Utah.

Mr. KING. There may be differences of opinion, if my good friend will permit me to differ from him. I feel sure it will open the way to permitting some of these claims for amortization or depreciation, so many of which have not been based upon justice—indeed, some of them are fraudulent—to be reopened. The bar of the statute of limitations will be removed, and they can come back under modern rulings or modified rules and set up money which they claim to have overpaid under the more recent rulings against legitimate taxes which they are owing. I think the amendment is too dangerous to be adopted by the Senate, and I hope it will be voted down.

Mr. MOSES. I still maintain that it is just.

Mr. COUZENS. Mr. President, may I ask the Senator if he realizes that the opening of the statute of limitations permits the very thing that the solicitor told me happened the other day? They found a deficiency tax. They assessed the deficiency tax, and the taxpayer discovered or thought he discovered a way of increasing his depreciation or amortization, and to offset the deficiency tax he then magnified or increased his depreciation amount in his return of his amortization allowance to offset the deficiency.

Mr. MOSES. In a current return?

Mr. COUZENS. No; in an early return. If the accountants or the auditor of the bureau should audit the accounts of the Senator from New Hampshire, for instance, for any particular year and find a deficiency tax, and the so-called A–2 letter were substituted, it would open up the statute of limitations, and he could increase his request for an additional allowance for amortization, depreciation, or something else. That opens up the whole field for offsetting every deficiency tax that is presented by the bureau after the audit.

Mr. MOSES. Within the period named?

Mr. COUZENS. Yes; but the Senator is proposing to increase the period.

Mr. MOSES. I am lengthening the period within which the statute runs. I still maintain that the instances of injustice

to the taxpayer are so numerous and so onerous in many cases as to warrant the adoption of the amendment. Not even the efficient logic of the Senator from Michigan or the volubility of the distinguished junior Senator from Utah can convince me to the contrary.

Mr. COUZENS. The Senator might just as well ask in a year or some other time to extend it to nine years. If we are going to extend the statute of limitations, these matters, to my mind, will never be settled by the bureau.

Mr. MOSES. That is quite true. The Senator might just as well do it, but he has no intention of doing it. The Senator means some other Senator might try it?

Mr. COUZENS. Anybody might try to open it up on the complaint of some taxpayer, and so keep the statute of limitations perpetually opened.

Mr. MOSES. Oh, there is always a possibility of it, but that does not prevent me from undertaking to remedy what I believe to be a grave injustice to many small taxpayers.

Mr. COUZENS. I am not finding fault with the Senator for trying it.

Mr. SMOOT. I said last night what I wanted to say with reference to this matter. I think it is a very dangerous and unwise amendment, but if the Senator wants a record vote I am perfectly willing he should have it.

Mr. MOSES. We spent four hours or more on a single amendment. I understand the pressure under which the Senator from Utah is laboring with reference to the measure. I have not any intention of endeavoring to take the time of the Senate with a record vote. I am entirely willing to settle the matter by a viva voce vote.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from New Hampshire.

The amendment was rejected.

Mr. KING. The Senator sees there is some volubility on the other side of the question now.

Mr. MOSES. Or volume.

Mr. GLASS. Mr. President, in behalf of the junior Senator from Arkansas [Mr. CARAWAY], and at his request, I send to the desk a proposed amendment to the bill.

The VICE PRESIDENT. The amendment will be stated.

The CHIEF CLERK. On page 334, following the amendments heretofore agreed to, insert a new section, as follows:

SEC. —. If any information, relating to the liability of any taxpayer for any internal-revenue tax, is obtained or received from any person other than the taxpayer and is considered by any officer, employee, or agent of the Treasury Department, or of any bureau or division thereof, in determining such liability, then the taxpayer shall, after due notice giving the nature of the information and the name and address of the person from whom such information was obtained or received, be afforded a reasonable opportunity to be heard in respect thereof.

Mr. SMOOT. Mr. President, I hope the amendment will be agreed to.

Mr. GLASS. In a word, the practice has heretofore obtained at the bureau of making charges of constructive fraud against individuals and concerns without any specification whatsoever. This is merely to correct that situation and require the bureau to give such notice.

The VICE PRESIDENT. The question is on agreeing to the amendment submitted on behalf of the Senator from Arkansas.

The amendment was agreed to.

Mr. WALSH. Mr. President, I send to the desk an amendment which I offer.

The VICE PRESIDENT. The amendment will be stated.

The CHIEF CLERK. On page 83, line 4, after the word "associations" insert the words "and mutual dairy loan associations," so as to read:

(4) Domestic building and loan associations and mutual dairy loan associations substantially all the business of which is confined to making loans to members; and cooperative banks without capital stock organized and operated for mutual purposes and without profit.

Mr. SMOOT. I have no objection to the amendment.

Mr. WALSH. I desire to say just a word for the RECORD. These mutual dairy loan associations are organized on exactly the same principle as building and loan associations, but the department does not recognize them as falling within the designation of a building and loan association. This amendment will correct that situation.

Mr. SMOOT. The same restrictions apply to the mutual dairy loan associations as to the building associations?

Mr. WALSH. Yes.

The VICE PRESIDENT. Without objection the amendment is agreed to.

Mr. SMITH. Mr. President, on yesterday I had an amendment printed and asked that it lie on the table. I now offer it.

The VICE PRESIDENT. The amendment will be stated.

The CHIEF CLERK. On page 134, after line 23, insert the following new paragraph:

(1) The amount of income taxes imposed by this act shall be assessed within two years after the return was filed, and no proceeding in court without assessment for the collection of such taxes shall be begun after the expiration of such period.

On page 135, line 3, strike out the words "and by this act."

Mr. SMITH. Mr. President, the amendment, which I have had worked out by the draftsmen of the legislative bureau, is simply to limit the time of reassessment to two years on the taxes imposed by the pending bill. It is not retroactive. It is to take effect when the incomes under this bill shall be assessed and the tax paid, and does not affect the four-year limitation that applies under the 1924-25 act. It is sufficient for me just to call the attention of Senators to the fact that we have had so much trouble and confusion by reason of the long period we have given within which refunds and reassessments may be made that I think in justice to the taxpayer we should limit the time to two years.

Mr. ASHURST. Mr. President, I have consumed no time on the tax bill, and I shall take but a moment now. Some remedial legislation of this sort is required to give repose to our citizens and such relief is almost as essential as is the bill itself. We are committed to a national policy with reference to the income tax. It will go forward as a part of our national policy. To make an income tax popular it must be just. It is a foul injustice to the citizens of the country to require them to pay their taxes and then for years thereafter require them to be uncertain as to whether they reached a finality with their Government. The citizens of the country when they pay are entitled to a statute of repose beyond which even the governmental hand can not reach to disturb them.

I conclude with the same sentence with which I began, that a statute that will give repose to our citizens after they have paid their taxes is as essential as is the bill itself. I hope the amendment will be adopted.

Mr. McKELLAR. Mr. President, I had offered a similar amendment. I very sincerely hope the amendment of the Senator from South Carolina will be adopted. Two years is certainly long enough with the system that is now in good working order. There are no complications about the war. The provision applies only to the future. It does seem to me two years afford sufficient time. I hope the Senator from Utah will accept the amendment and let it apply to the future, as it should, in my judgment.

Mr. SMOOT. Mr. President, I wish the Senate to know that if this amendment shall be adopted such a short time will be allowed that it will be an absolute impossibility to examine all of the cases. Mind you, Senators, over 90 per cent of all the requests during the four-year period are from the taxpayers themselves, and not from the Government. So if this proposition be agreed to we are going to reduce the period so far as the taxpayers are concerned from four years to two years, and it is the taxpayers who are going to suffer.

Mr. GLASS. Mr. President, as will readily be recalled, I opposed the proposition which the Senator from South Carolina [Mr. SMITH] presented here last evening, because it was my conviction that it could not be administered; in my view, it was totally impracticable; but I have stood on this floor now for several years and protested that unless some such limitation as that now proposed by the Senator from South Carolina were embodied in the statute the bitterness of the American taxpayer against the Internal Revenue Bureau would be greatly intensified.

As I understand the proposed amendment, it does not relate to taxes which have heretofore been levied and returns which have heretofore been made, but to future returns.

Mr. ASHURST. The amendment of the Senator from South Carolina is purely prospective and not retroactive.

Mr. GLASS. I recall very distinctly that two years ago when the Secretary of the Treasury and the Commissioner of Internal Revenue appeared before the Appropriations Committee of the Senate, both of them expressed the confident hope and expectation that the tax-return cases would be current before the end of that tax year. I have no doubt both of those gentlemen felt justified in the confidence they expressed, and because they did express the belief that that would be the situation at the termination of the current tax year, I refrained from offering any amendment or suggestion with respect to this problem.

I realize, just as the Senator from Pennsylvania [Mr. REED] so clearly pointed out the other day, that in the meanwhile

many thousands of claims were presented to the Internal Revenue Bureau, and, notwithstanding increased appropriations and increased force, it was physically impossible to clear the decks and to get current; but it seems to me that it is practicable and it is right that the limitation should be changed; and it seems to me further that two years will afford ample time for the bureau to determine these matters. Therefore I hope that the amendment of the Senator from South Carolina will be adopted.

Mr. FESS. Mr. President, will the Senator from Virginia yield to me?

Mr. GLASS. I yield to the Senator.

Mr. FESS. Does the amendment contemplate a complete auditing of the tax returns within two years?

Mr. GLASS. Where there is a contest in the tax return, of course, it involves a complete auditing.

Mr. FESS. Is not that a physical impossibility?

Mr. SMOOT. Let me suggest to the Senator from South Carolina that he make it three years instead of two years.

Mr. SMITH. The amendment does not propose to change the language of the bill except to make the period two years.

Mr. SMOOT. I suggest to the Senator from South Carolina that he make it three years instead of two years, although I have no objection at all to making it two years if it can be carried out.

Mr. SMITH. It has been stated here on the floor of the Senate that we have eliminated more than 2,000,000 taxpayers from the payment of taxes; that we have also simplified and restricted the law in other respects; and as we now have a four-year period, it seems to me that the department ought to collaborate in making the returns current and not having them drag along for four or five or six years.

Mr. SMOOT. If the Senator from South Carolina thinks this work can be done in two years, so far as I am concerned, I am perfectly willing to accept the amendment and let it go to conference.

SEVERAL SENATORS. Vote!

The VICE PRESIDENT. The question is on agreeing to the amendment proposed by the Senator from South Carolina [Mr. SMITH].

The amendment was agreed to.

Mr. REED of Missouri. Mr. President, since the amendment of the Senator from South Carolina has been adopted it forces a change in section 278.

Mr. SMITH. I have an amendment which covers that, as I think the Senator will agree if he will examine it. It has reference to refunds and makes the language correspond.

Mr. REED of Missouri. I have not time to examine that in a moment, but I think the suggestion which I have to make will be acceptable.

Mr. SMITH. Very well.

Mr. REED of Missouri. The amendment just adopted inserts a new clause which reads:

(1) The amount of income taxes imposed by this act shall be assessed within two years after the return was filed, and no proceeding in court without assessment for the collection of such taxes shall be begun after the expiration of such period.

I think from a very hasty examination that that is defective, although we have just accepted it, because it relates alone to proceedings in court. I think the Senator from South Carolina meant to give an absolute statute of repose. While this stops proceedings in court, it does not stop distraint; I am afraid he does not, but I do not want to say that absolutely.

Mr. SMITH. My attention was called by the tax experts to the language of the amendment:

The amount of income taxes imposed by this act shall be assessed within two years after the return was filed, and no proceeding in court without assessment—

If there is an assessment, of course, there may be a proceeding, and there may be none without; but I do not know as to distraint.

Mr. REED of Missouri. That is the trouble. The bill provides for distraint without any proceeding in court, and provides an entire system of procedure by which taxes may be assessed and distraint ordered without a proceeding in court.

Mr. REED of Pennsylvania. Of course; but there can not be a distraint without there first having been an assessment, and where there is a limitation on the assessment that necessarily is a limitation on the distraint.

Mr. SMITH. That is right.

Mr. REED of Missouri. Probably that is correct; I am not certain of that; but I call attention to section 278 (a) which provides:

SEC. 278. (a) In the case of a false or fraudulent return with intent to evade tax or of a failure to file a return the tax may be assessed, or a proceeding in court for the collection of such tax may be begun without assessment, at any time.

That is all right, but it is apparently in conflict with the clause just adopted. It is a part of the old law being reenacted, and I suggest, in order to make it clear, the insertion of the words "notwithstanding any other provisions of this act," so that it will read:

Notwithstanding any other provisions of this act in the case of a false or fraudulent return—

And so forth.

Mr. REED of Pennsylvania. I do not see any objection to that.

Mr. REED of Missouri. That will make it clear. I move that amendment, Mr. President.

The VICE PRESIDENT. If the Senator from Missouri will suspend for a moment, the Chair will state in connection with the amendment of the Senator from South Carolina that additional action should be taken in order to complete it.

Mr. SMITH. I suggest that the necessary amendment be made to conform the text to the amendment adopted.

The VICE PRESIDENT. The question is on the amendment of the Senator from South Carolina, on page 135, line 3, to strike out, after the numerals "1924," the words "and by this act." Without objection, the amendment is agreed to.

Mr. REED of Missouri. Mr. President, I move to amend section 278, on page 137 of the printed text, by inserting in paragraph (a) after the letter "(a)" the following words:

Notwithstanding any other provisions of this act—

So that it will read:

Notwithstanding any other provisions of this act in the case of a false or fraudulent return—

And so forth.

The amendment simply makes the language plainer.

The VICE PRESIDENT. Is there objection? Without objection, the amendment is agreed to.

Mr. McLEAN. Mr. President, I desire to offer an amendment.

The VICE PRESIDENT. The amendment will be stated.

The CHIEF CLERK. On page 67, line 22, after the word "bonus" and the comma, it is proposed to insert the word "pension," so as to read:

(f) A trust created by an employer as a part of a stock bonus, pension, or profit-sharing plan—

And so forth.

Mr. McLEAN. Mr. President, it has been called to my attention that the funds which are created for the purpose of providing pensions for employees are precisely on the same basis as those which provide stock bonuses or profit-sharing plans. That is all there is to the amendment.

The VICE PRESIDENT. The question is on agreeing to the amendment proposed by the Senator from Connecticut.

The amendment was agreed to.

Mr. COPELAND. Mr. President, I ask the attention of the Senator from Massachusetts [Mr. BUTLER] and the Senator from Minnesota [Mr. SHIPSTEAD] to a question I am about to ask the Senator in charge of the bill. Last night, as the Senate will remember, we had a discussion about the taxation of municipal employees. The Senator from Utah called our attention to a decision of the Supreme Court rendered on the 11th of January, 1926. I wish to call the attention of the Senator to that decision.

It relates to a claim made by two engineers. These engineers, Metcalf and Eddy, somewhere in Massachusetts, engaged in the business of giving advice to municipalities and other clients about installing water plants. They contended that the pay they received from various municipalities should be exempt on the ground that they were municipal employees.

The case went to the Supreme Court, where it was brought out that all of the payments involved were received by these taxpayers as compensation for their services as consulting engineers. They were not employees of the various cities; they were under contract with the State and municipalities, and in each case the service was rendered in connection with a particular project—a part-time project, perhaps, so far as their employment was concerned. In no sense were they employees of the municipality. The court said:

We think it clear that neither of the plaintiffs in error occupied any official position in any of the undertakings to which their writ of error in No. 183 relates. They took no oath of office; they were free to accept any other concurrent employment; none of their en-

gagements was for work of a permanent or continuous character; some were of brief duration and some from year to year; others for the duration of the particular work undertaken. Their duties were prescribed by their contracts and it does not appear to what extent, if at all, they were defined or prescribed by statute. We therefore conclude that plaintiffs in error have failed to sustain the burden cast upon them of establishing that they were officers of a State or a subdivision of a State within the exception of section 201 (a).

I point out to the Senators in charge of the bill that this decision does not relate to employees of cities who have charge of water plants or electric-light plants that are municipally owned—employees who do take an oath of office, who are employed at full time, who are paid exactly as other employees of municipalities are paid, who are upon the pension list, and who are in every sense municipal employees. It is very clear, indeed, Mr. President, that this decision does not give a defense to the exclusion of municipal employees of public utilities regularly employed, and who are in every sense municipal employees within the meaning of the law, as it has been applied heretofore.

I think, with this explanation, that the amendment which was presented last night by the Senator from Minnesota [Mr. SHIPSTEAD] is one which the Senate should adopt. It is not right that these employees who are on exactly the same plane as municipal employees generally, should be excepted from the beneficent operations of the law. I ask that the Senator from Minnesota [Mr. SHIPSTEAD] present his amendment, in order that we may have it before us definitely for consideration and action.

Mr. SHIPSTEAD. Mr. President, I am glad the Senator from New York brought up this question. I think that if the amendment I send to the desk is not adopted we will be establishing a precedent which will permit the Federal Government to go into a State and tax a subdivision of a State government, and I think it is a step that we should not take at all; but, if we do take it, I do not think we should take it on the ground that was advanced by the Senator from Utah last evening when he quoted a Supreme Court decision, claiming that the Supreme Court decision held that the employees involved were not in fact city employees.

I have here the Supreme Court decision, and I want to read a paragraph that I believe the Senator from New York did not read, so that we may know just what the Supreme Court said. I am quoting from the decision:

An office is a public station conferred by the appointment of government. The term embraces the idea of tenure, duration, emolument, and duties fixed by law. Where an office is created the law usually fixes its incidents, including its term, its duties, and its compensation. * * * But there was no office of sewage or water-supply expert or sanitary engineer to which either of the plaintiffs was appointed. The contracts with them, although entered into by authority of law and prescribing their duties, could not operate to create an office or give to plaintiffs the status of officers. * * *

Nor do the facts stated in the bill of exceptions establish that the plaintiffs were "employees" within the meaning of the statute. So far as appears they were in the position of independent contractors. The record does not reveal to what extent, if at all, their services were subject to the direction or control of the public boards or officers engaging them. * * *

It is on this principle that, as we have seen, any taxation by one government of the salary of an officer of the other, or the public securities of the other, or an agency created and controlled by the other, exclusively to enable it to perform a governmental function * * * is prohibited. But here the tax is imposed on the income of one who is neither an officer nor an employee of government, and whose only relation to it is that of contract, under which there is an obligation to furnish service, for practical purposes not unlike a contract to sell and deliver a commodity. * * *

But we do decide that one who is not an officer or employee of a State does not establish exemption from Federal income tax merely by showing that his income was received as compensation for service rendered under a contract with the State.

That is the decision of the court.

I send to the desk the amendment which was presented last night.

The VICE PRESIDENT. The amendment will be stated.

Mr. SHIPSTEAD. I ask unanimous consent, in view of the information we now have, that it be accepted and read and acted upon at the present time.

Mr. SHIPSTEAD'S amendment was, on page 47, line 21, to strike out the period and insert a semicolon, and, after line 21, to insert a new paragraph to read as follows:

(14) Any taxes imposed by the revenue act of 1924 or prior revenue acts upon any individual in respect of amounts received by him as compensation for personal services as an officer or employee of any State or political subdivision thereof (except to the extent that such compensation is paid by the United States Government directly or indirectly) shall, subject to the statutory period of limitations properly applicable thereto, be abated, credited, or refunded.

Mr. SMOOT. Mr. President, the statement I made last night was made upon information that I received from one of the department experts. I have before me now the decision of the Supreme Court. I think perhaps we had better adopt the amendment which was offered. I know that a similar amendment was offered by the Senator from Massachusetts [Mr. BUTLER], and I think this is on all fours with that amendment.

Do I understand that the Senator from Minnesota offers the amendment now?

Mr. SHIPSTEAD. Yes.

Mr. SMOOT. That is the one the Senator offered last night? I think the Senate had better adopt the amendment. I really do not know what amount it involves, but it may not be very much. Let it go in and we will examine it in conference.

Mr. COPELAND. Mr. President, will the Senator yield for a moment?

Mr. SMOOT. Yes.

Mr. COPELAND. I am not sure, but I think we ought to hear the amendment offered by the Senator from Massachusetts.

Mr. SMOOT. I have just asked the question as to whether the amendment was offered by him or by the Senator from Minnesota.

Mr. BUTLER. Mr. President, I have prepared an amendment covering this subject which perhaps is a little more comprehensive than the amendment which has been sent to the desk by the Senator from Minnesota. This amendment is in two paragraphs. The first paragraph applies to taxes imposed upon amounts heretofore received by such officers, to take care of that phase of the subject. The second paragraph provides for refunds of taxes already paid by such officers. I think in that form the amendment takes care of all the questions completely, so as to absolve officers who have already paid their taxes under the regulations of the Internal Revenue Bureau, and also relieves those who have not paid their taxes from hereafter paying taxes on amounts heretofore received.

Mr. REED of Pennsylvania. For how many years does the Senator's refund amendment go back?

Mr. BUTLER. It goes back, I presume, to 1917 and 1918.

Mr. REED of Pennsylvania. It would go back to 1913, would it not?

Mr. BUTLER. Probably—back to the beginning of our income-tax system.

Mr. REED of Pennsylvania. Does not the Senator think it would be fair to subject the amendment to the ordinary statute of limitations?

Mr. BUTLER. I want to call attention to another phase of this matter which perhaps has not been brought out clearly and which is embraced in a suggestion which I have received from an association which is devoted to the interests of employees of waterworks, and I think it is a very fair statement. The first item is:

State and municipal employees assigned to waterworks and other alleged nongovernmental activities have almost universally not filed Federal income-tax returns from 1918 to date, not due to neglect, but because they were informed by the collectors of the Internal Revenue Bureau and by the Federal income-tax blanks that their salaries were exempt. The wording of the yearly income-tax blanks under "General instructions" is—

This is the important item in the whole matter, and it seems to me a consideration which indicates to us the justice of an amendment of this character. This blank reads as follows:

Items exempt from tax: The following items are exempt from Federal income tax and should not be reported:

* * * (h) Compensation paid by a State or political subdivision thereof to its officers or employees.

Under that declaration these employees, employed by cities and towns and States, have not filed income-tax returns and have not paid taxes in a great many instances; and where they have been demanded they have paid them, I think, unjustly.

I offer the amendment at this time, and I hope it will prevail.

Mr. REED of Pennsylvania. Mr. President, upon examining the Senator's amendment I think it does provide that it is subject to the statutory period of limitations.

Mr. SMOOT. And it also applies to all employees.

The VICE PRESIDENT. Does the Senator from Minnesota insist upon his amendment being submitted to a vote?

Mr. SHIPSTEAD. I will accept the amendment of the Senator from Massachusetts as a substitute.

The VICE PRESIDENT. The Senator from Minnesota withdraws his amendment. The question is on the amendment offered by the Senator from Massachusetts, which will be stated.

The CHIEF CLERK. The Senator from Massachusetts [Mr. BUTLER] offers the following amendment: On page 48 it is proposed to insert in the proper place the following:

(15) No tax shall be imposed upon amounts heretofore received by officers or employees of any State or political subdivision thereof as compensation for personal services in such office or employment, except to the extent that such compensation is paid by the United States Government directly or indirectly.

Any taxes imposed by the revenue act of 1924 or prior revenue acts upon any individual in respect of amounts received by him as compensation for personal services as an officer or employee of any State or political subdivision thereof (except to the extent that such compensation is paid by the United States Government directly or indirectly) shall, subject to the statutory period of limitations properly applicable thereto, be abated, credited, or refunded.

Mr. HOWELL. Mr. President, in speaking to the amendment I am at a disadvantage, as I have been an employee of a political subdivision of the State of Nebraska operating public utilities. I know of my own knowledge that no attempt was made, nor was there any suggestion made, that employees of municipally owned public utilities should be treated otherwise than as employees of the city who were conducting other activities of the municipality. As a consequence I myself never made a return, was not asked to make a return, and on three occasions my accounts have been gone over by Treasury officials, checked up, and finally closed.

In the cases of a number of other employees who were my subordinates, they made no returns, were called upon to make no returns, and always believed and understood they were in the same class with other municipal employees. As a consequence they made nor have since made no provision for income taxes. Their salaries were not large, the expense of living high. They, of course, were employed by the public, and we all know that the public pays relatively small salaries.

It was not until after I had left the employ of the utilities district of which I was general manager that I learned that there was anything of this nature in the minds of officials of the Treasury Department; but I have heard on several occasions since, and my attention has been otherwise called to the fact, that some court had handed down a decision suggesting that the salaries of such employees were taxable. No attempt, however, has been made in my district to collect these taxes, and, as I understand, no attempt has been made to do so generally throughout the United States.

It would be a tremendous hardship upon a great many of these employees to pay back taxes accrued, and therefore it seems to me that as their real status differs in no wise from such employments as school-teacher, policeman, or that of the operator of the boilers provided for heating in a city hall, no distinction should be made. Certainly, so far as this amendment is concerned, it should be adopted.

However, because of my personal interest I can not vote therefor, and shall not. But these are the facts, and naturally old employees have appealed to me. Knowing their situation, I realize that if the Government should go back and collect these taxes it would mean a tremendous hardship.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Massachusetts [Mr. BUTLER].

The amendment was agreed to.

Mr. SMOOT. In order that this matter may be settled finally, I ask that we return to page 44, after line 24, where the amendment to the committee amendment offered by the Senator from New York [Mr. COPELAND] was inserted. That only relieved these employees of the penalties. I ask that the action by which that amendment was agreed to be reconsidered.

The VICE PRESIDENT. Without objection, the vote by which the amendment offered by the Senator from New York to the committee amendment was agreed to is reconsidered.

Mr. COPELAND. Mr. President, is the Senator from Utah quite certain that this action and what we have already done with reference to the other amendments will release these employees from the penalties?

Mr. SMOOT. There is no doubt of it. The amendment offered by the Senator from Massachusetts and agreed to covered all the Senator's amendment covered and even went further.

Mr. COPELAND. I assumed that that would be the case, but I am very glad to be reassured by the Senator from Utah.

Mr. SMOOT. I assure the Senator that that is the fact.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from New York to the committee amendment.

The amendment to the amendment was rejected.

The amendment was agreed to.

Mr. REED of Missouri. In line with the amendment offered by the Senator from South Carolina [Mr. SMITH] designed to stop the reopening of tax cases after two years, which was agreed to, I desire to offer an amendment to section 1105, on page 289. That section, as it now reads, is as follows:

No taxpayer shall be subjected to unnecessary examinations or investigations, and only one inspection of a taxpayer's books of account shall be made for each taxable year.

Notice this:

Unless the taxpayer requests otherwise or unless the commissioner after investigation, notifies the taxpayer in writing that additional inspection is necessary.

So we start out by providing that the taxpayer shall not be subjected to unnecessary examinations and that there shall be only one in each year. We provide that the taxpayer can have more, and then we provide that the commissioner can have more. In other words, we wind up by having done nothing except require the commissioner to give a notice in writing.

As the statute has been construed, the commissioner sends his men around to make an examination, the books and papers and documents are disclosed, and the examiner goes away. Then, a little while afterwards, somebody else comes around and does the same thing again, and it sometimes happens a half a dozen times. We are trying to get through legislation relieving the taxpayers of these onerous burdens. I offer this amendment.

Mr. SMOOT. Mr. President, I may have misunderstood the Senator; but as I construe the last part of the provision with reference to the commissioner, it provides that he must notify the taxpayer in writing if an additional inspection is necessary. That ought to be in the law, I think, because of the fact that some years ago the department would send a man to the Senator's office, we will say, who would say to the Senator, "I want an investigation of this matter now." No notice would be given, and the Senator would not have time to prepare for the examination. This provision has been inserted so as to give the taxpayer notice before anyone comes to make an investigation. It is ever so much better than the law has been, and does not the Senator think that would be sufficient?

Mr. REED of Missouri. No; because it operates in this way: The examiner sends a man around to the taxpayer's office, and he makes an examination. Any time he wants to make another examination he simply writes a letter and says the examiner deems it necessary to make another examination, and he makes it; he writes another letter, and the process is repeated. We are trying to get a condition of repose. We have adopted the provision that there shall be no reopening of these cases after two years.

Mr. McLEAN. The Senator is familiar with the next section, which provides that the taxpayer may request a discharge from the Secretary of the Treasury after an inspection had been accorded, and that is final.

Mr. REED of Missouri. I do not catch the Senator's point.

Mr. McLEAN. The next section, section 1106, provides that—

If after a determination and assessment in any case the taxpayer has paid in whole any tax or penalty, or accepted any abatement, credit, or refund based on such determination and assessment, and an agreement is made in writing between the taxpayer and the commissioner, with the approval of the Secretary, that such determination and assessment shall be final.

Mr. REED of Missouri. Yes; if an agreement is made in writing.

Mr. McLEAN. That is all that has to be done. Any taxpayer who wishes a final adjustment of his taxes may request an audit, or if an audit is made by the auditor without any request on the part of the taxpayer, if the taxpayer says he wants a discharge, he can get it by applying to the Secretary of the Treasury.

Mr. REED of Missouri. It may be, if they agree on something, he could get his discharge; but nobody can compel an agreement.

Mr. McLEAN. Of course, if they do not agree, there is no settlement of the case.

Mr. REED of Missouri. There should not be a settlement of the case. We are not talking about a settlement of the case. We are talking of the right to come in and examine a man's books five or six times.

Mr. SMOOT. Last evening we adopted an amendment—subdivision (a) of section 1106, following section 1105—to which the Senator is now referring. It reads as follows:

> The bar of the statute of limitations against the United States and against the taxpayer in respect of any internal-revenue tax will not only operate to bar the remedy but shall extinguish the liability.

That is a provision which has never been in any other act, and this runs for four years. Under the amendment proposed by the Senator from South Carolina there can be only two years possibly.

Mr. REED of Missouri. That is true.

Mr. SMOOT. So I think it is pretty well taken care of by this amendment.

Mr. REED of Missouri. I still think that if the proposition which I have tried to state, and which I have not been able to state yet, is accepted, it will reach the condition that has not been referred to by the Senator from Connecticut or by the Senator from Utah.

The amendment offered by the Senator from South Carolina, which was agreed to, provides, in substance, that no action can be brought on taxes that were not assessed within two years. So far, so good. The amendment just read by the Senator from Utah, which is not part of the text of the bill, except by amendment, reaches the question of the extinguishment of the indebtedness after a fixed period. Both of those propositions relate to the tax after it is paid. The Senator from Connecticut also calls attention to section 1106, which provides that—

> If after a determination and assessment in any case the taxpayer has paid in whole any tax or penalty, or accepted any abatement, credit, or refund based on such determination and assessment, and an agreement is made in writing between the taxpayer and the commissioner, with the approval of the Secretary, that such determination and assessment shall be final.

That reaches the case only where the taxes have been paid in whole or in part, plus an agreement between the Treasury Department and the taxpayer, and, of course, it could be defeated easily enough by the Government simply refusing to agree.

I am not seeking to deal with either of those propositions. I am seeking to direct attention to the hardship of a taxpayer being required repeatedly to submit to examinations. Of course, after the two-year statute has run, he might refuse an examination, unless the Government claims fraud, in which case there is no statute of limitations whatever. By merely claiming fraud the Government at any time can make examination after examination, subject only to one limitation, that it must give notice that it is going to make the examination. That, in ordinary course, is done by the mere writing of a letter.

So, as it stands, an agent of the Government may come into my office, examine my books and papers, have everything submitted to him, and go away. The next week he may write me a letter that another examination is regarded as necessary, and he may come back and go through my books and papers again, and that process may be repeated indefinitely. There is no limitation whatever. I think one examination is all the Government ought to ask.

We have been speaking here about the feeling that is aroused by unnecessary burdens and hardships and harassments being put upon the taxpayer.

It creates a great deal of feeling. I have heard more complaint by business men about their books being hauled down and pawed over five or six times as I think I have heard about the amount of tax they have had to pay. I would like to get this provision out of the bill if possible. I think the amendment which I suggest will accomplish it; that section 1105 be stricken out and a new section be inserted in lieu thereof to read as follows, and this is the shortest way I can state it:

> No taxpayer shall be subjected to more than one inspection of his books of account each taxable year unless the taxpayer requests an additional examination.

That stops the matter with one examination. If we do not adopt such an amendment, then we are leaving it open for any number of examinations, which would be a hardship.

Mr. REED of Pennsylvania. May I make a suggestion to the Senator? I was thinking of it while the Senator from South Carolina was urging his amendment. I think we are doing great things for the taxpayer when we shorten up the period of limitation, but when we do as the Senator is now suggesting and reduce the number of examinations, it is a poor service we are doing them, because the bureau will play safe. They are apt to make a lot of unjust assessments in their anxiety to protect the Government on accounts which they have not been able to audit. If we limit the time within which they can audit or limit the number of times they can look at the books, they are going to give the Government the benefit of every doubt, and we will have more appeals that the taxpayer will have to take. I think it is worth while considering whether all that we are doing is so much in the interest of the taxpayer after all.

Mr. REED of Missouri. I will modify my proposed amendment by making it read "more than two inspections."

Mr. REED of Pennsylvania. That is only half as bad as it was before.

Mr. REED of Missouri. No; two inspections ought to satisfy anybody. That makes allowance for the greenhorn who is sent out by the bureau and for the man who is sent out to check him up. There ought to be an end to it.

The Senator generally argues questions very fairly, and I will not say he has not argued this one fairly, but I do say it is a very poor argument to say that we should impose burdens and hardships upon taxpayers because the officers of the Government may act unjustly unless we allow them to go over their work four or five times. I am afraid we have such employees in the Government, but we ought not to have them. I submit the amendment as it is now modified, so there can be two examinations, and that shall end it.

Mr. REED of Pennsylvania. What the Senator said is eminently just when we think of the individual taxpayer who has a comparatively simple set of books. I dare say the books of any one of us in this Chamber could be audited easily on one visit or one inspection. Certainly none of them would require more than two audits. But when we say "taxpayer" in this section we mean such concerns as the United States Steel Corporation as well as the private individual. The bureau is still auditing that corporation's returns for 1918. If we had not had the power to reaudit them again and again, the Government would lose the $27,000,000 of amortization to which the Senator from Michigan has called attention. This thing cuts both ways.

Mr. COUZENS. Mr. President——

The PRESIDING OFFICER (Mr. FESS in the chair). Does the Senator from Missouri yield to the Senator from Michigan?

Mr. REED of Missouri. I yield.

Mr. COUZENS. It seems to me that the amendment proposed by the Senator from Missouri would put the bureau on notice. I suggested to the Senator that one examination was not enough. The bureau might send a new employee or an incompetent employee who would not get sufficient information, but when he makes his report back to his chief to see whether he has the proper information and has made the proper audit, the chief ought to be able to determine what next he needs and get it at least the second time. That would not, of course, interfere with the continuous audits.

Mr. REED of Pennsylvania. Take the case of the Electric Bond & Share Co. and all of the involved consolidated returns that have been necessary for that company to file. Does not the Senator think that the Government ought to have the right to go back to them half a dozen times, if necessary?

Mr. COUZENS. I think the amendment puts the bureau on notice to get what they want, and they ought to know what they want in two investigations.

Mr. SMOOT. Another thought occurs to me in connection with the amendment. If a man wants to evade paying his taxes, it is an invitation to him not to report all of his property on the theory that, perhaps, the auditors will not get it in one examination or two examinations. He might be tempted to take a chance on it.

Mr. COUZENS. As long as the bureau is on notice by the amendment, it seems to me it ought to use diligence in prosecuting its investigations thoroughly in the first and second instances.

Mr. SMOOT. As to the great bulk of taxpayers one examination would be all that is necessary. There are a smaller number where two examinations would be sufficient. Perhaps 99 or even 99.99 per cent of the cases would be covered by two examinations. But the man who is taking a chance, making insufficient returns, and not reporting all of his income, will take the chance of not being caught when he knows the Government is limited in the number of investigations or examinations it can make.

Mr. COUZENS. No one is more anxious to protect the Government's interests than I am, but there is no restriction now as to the length of time any investigation may take. A continuous investigation may last over a very great length of time.

Mr. SMOOT. But the amendment of the Senator from South Carolina restricts it to two years.

Mr. COUZENS. I am talking about the amendment of the Senator from Missouri which limits the number, but the bureau could make it a continuous investigation.

Mr. SMOOT. But there would have to be two examinations within two years, then.

Mr. COUZENS. This is where I think the amendment of the Senator from South Carolina is not so good. When the two years are about to expire, if the bureau is not through with its examination, they can make a jeopardy assessment and get either a waiver or stand for the jeopardy assessment.

Mr. REED of Pennsylvania. They can send out a 60-day letter and that would hold the statute.

The PRESIDING OFFICER. The clerk will report the amendment offered by the Senator from Missouri as modified.

The CHIEF CLERK. The senior Senator from Missouri proposes to strike out on page 289, after the numerals "1105," all of the paragraph down to and including line 17, and to insert:

No taxpayer shall be subjected to more than two inspections of his books of account each taxable year unless the taxpayer requests an additional examination.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Missouri.

The amendment was agreed to.

Mr. REED of Missouri. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Bayard	Frazier	McLean	Sheppard
Blease	George	McMaster	Shipstead
Borah	Gerry	McNary	Shortridge
Broussard	Gillett	Metcalf	Simmons
Butler	Glass	Moses	Smith
Cameron	Goff	Neely	Smoot
Capper	Hale	Norbeck	Stanfield
Copeland	Harreld	Norris	Swanson
Couzens	Harris	Nye	Trammell
Cummins	Harrison	Oddie	Tyson
Curtis	Heflin	Overman	Walsh
Dale	Howell	Pepper	Warren
Deneen	Jones, Wash.	Phipps	Watson
Dill	Kendrick	Pine	Weller
Edge	Keyes	Ransdell	Wheeler
Edwards	King	Reed, Mo.	Willis
Ferris	La Follette	Reed, Pa.	
Fess	Lenroot	Robinson, Ind.	
Fletcher	McKellar	Sackett	

The PRESIDING OFFICER. Seventy-three Senators having answered to their names, a quorum is present.

Mr. REED of Missouri. On page 33, line 12, in the provision applying to earned income I move to strike out the figures "$20,000" and to insert in lieu thereof "$50,000." I want to appeal to the sense of fairness of the Senate on the amendment and to call attention to the situation. This applies strictly to incomes that are earned for personal services and does not exempt them, but allows them a diminution of 25 per cent of the tax assessed.

It is proposed to place it at $20,000, and I ask to have that raised to $50,000. I want to present the question to the Senate as a matter of fairness and equity. We allow the man who has his money invested in business a 6 per cent return upon his capital before we begin to tax him. We allow the man who has invested in an oil well 30 per cent on account of the depletion or exhaustion of his well. I think I am correct in that statement.

Mr. REED of Pennsylvania. The Senator is mistaken about allowing the man 6 per cent on his capital invested in business. We tax all of the 6 per cent.

Mr. REED of Missouri. We tax on the net?

Mr. REED of Pennsylvania. Yes; we tax him on his net income, just as we tax every other taxpayer.

Mr. REED of Missouri. Who is it gets the 6 per cent exemption; the corporation?

Mr. REED of Pennsylvania. That was under the old excess-profits tax, which has been repealed.

Mr. REED of Missouri. Then, the law has been changed and I will amend my remarks accordingly. We do allow the oil-well owner and the mine owner a rebate on account of the depreciation or the exhaustion of his capital. We do allow every institution, first or last, an exemption on account of the depreciation or diminution of its capital. It is taken out in the way of losses in business. The professional man is exhausting his capital every year that he lives, and generally the larger returns upon the efforts that a man makes come in the late years of his life when his capital is pretty well exhausted. So much for that phase of it, and I only want to state it.

There is another phase of it. A lawyer or other professional man may work upon a case for four or five years, receiving practically no compensation, and then get his fee in a lump sum. Then he must pay the entire tax within that year. It is a tax upon brain and upon production; it is not a tax that is levied upon invested capital; it is a tax that is levied directly upon the energies of the individual; and, for the reasons I have called attention to, seems to me to be a most unjust and burdensome tax. I know of cases where professional men—engineers and others who are engaged in carrying on enterprise and who largely get their fees when the work is completed—receive a large fee in one year and work other years for very small compensation. When, however, the fee comes in one year, then it meets with these heavy surtaxes. That is particularly true of lawyers. It is also true of professional men; and by "professional men" I include engineers and all men of that class.

I understand that exceptions are made in nearly every country in the world of that class of earnings which comes directly from the efforts of the individual. I do not mean such earnings are entirely exempt, but such men have particular advantages over the taxpayer who makes his money out of some investment where he is not working and exerting himself, but where his money is working for him. I think there ought to be a distinction, and I think, put at $50,000, it is a moderate distinction.

Mr. BORAH. Mr. President, how does the Senator from Missouri designate the particular income which he proposes to exempt to the amount of $50,000?

Mr. REED of Missouri. If the Senator please, it comes under the heading of "Earned income."

Mr. REED of Pennsylvania. It is defined on page 32 of the bill.

Mr. BORAH. I know; but what is "earned income"?

Mr. SMOOT. Up to a certain amount the bill considers income as earned. The bill provides that—

in no case shall the earned net income be considered to be more than $20,000.

But above that the bill provides:

The term "earned net income" means the excess of the amount of the earned income over the sum of the earned-income deductions.

Mr. REED of Pennsylvania. The sum of $5,000 is presumed to be earned; whether the additional $15,000 shall be considered as earned depends upon the facts; and the bill provides a definition which includes wages, salaries, and professional fees. The language of the bill follows almost exactly the British definition. They have never had any trouble with it, and we have not had any trouble with it for the last couple of years.

Mr. REED of Missouri. Under the subtitle "Earned income," on page 32, section 209, the bill reads:

SEC. 209. (a) For the purpose of this section—

(1) The term "earned income" means wages, salaries, professional fees, and other amounts received as compensation for personal services actually rendered, but does not include that part of the compensation derived by the taxpayer for personal services rendered by him to a corporation which represents a distribution of earnings or profits rather than a reasonable allowance as compensation for the personal services actually rendered.

Then, there are some more qualifications which I think are not material. Coming to paragraph (3), on page 33, is this language:

(3) The term "earned net income" means the excess of the amount of the earned income over the sum of the earned income deductions. If the taxpayer's net income is not more than $5,000, his entire net income shall be considered to be earned net income, and if his net income is more than $5,000, his earned net income shall not be considered to be less than $5,000.

Then follows this language:

In no case shall the earned net income be considered to be more than $20,000.

I propose to change those figures from $20,000 to $50,000 so that it will read:

In no case shall the earned net income be considered to be more than $50,000.

In other words, before the taxpayer can be credited with this earned income he must show that it is actually earned income for personal service, and, no matter how much the income may be, the credit never can exceed $50,000. I submit that is a fair proposition.

Mr. SMOOT. Mr. President, I think the Senate ought to know what this amendment means in dollars and cents. If the amendment shall be adopted it will cost the Government in revenue $28,000,000. I asked Mr. McCoy to give me an estimate on the amendment; and on the normal tax the loss will be from $7,000,000 to $9,000,000, and on account of the surtax it will be $17,000,000 to $19,000,000, so that the loss, if the

amendment shall be agreed to, will be $28,000,000. That is readily understandable when we consider that the credit will apply clear through all the brackets of the bill. I have no doubt that the estimate is low enough, as the amendment would affect nearly every income.

I have had no letters or requests from a single individual asking that the allowance for earned income shall be increased beyond the $20,000 provided by the bill. That is an increase of 100 per cent over the existing law. I think it would be very unwise for the Senate to adopt the amendment.

The Senator from Missouri refers to oil-well depletion. Of course, Mr. President, a man does not wear out entirely in three years.

Mr. REED of Missouri. Neither does an oil well.

Mr. SMOOT. The owner of the oil well can not get anything on the average after three and a third years on account of depletion allowance.

Mr. COUZENS. He can get it for the life of the well. If the well should last 30 years, he can get it for 30 years.

Mr. SMOOT. But three years and a third is the average life of a well. Of course we know that they are very short lived. I thought that a 25 per cent allowance for depletion was sufficient——

Mr. REED of Missouri. The wells are short lived?

Mr. SMOOT. Yes.

Mr. REED of Missouri. They are pumping oil in Pennsylvania out of wells which have been pumped for 30 years.

Mr. REED of Pennsylvania. We have wells up there that are still yielding which were drilled 60 years ago.

Mr. COUZENS. And every year they will get 30 per cent of their gross income for 60 years.

Mr. REED of Missouri. It just depends on whether we think a man who is exhausting his energy ought to be treated with as much consideration as an oil well.

Mr. SMOOT. No; I do not think so.

Mr. President, as I have said, the amendment would involve a further loss of revenue of $28,000,000, and the Treasury can not stand it.

Mr. REED of Pennsylvania. Mr. President, two years ago, when the 1924 tax bill was under consideration, I think I made a nuisance of myself by urging that a distinction should be made between earned income of any amount and income that came from investment, and I tried to point out that there was a depletion of capital going on in the case of the professional man or the business man who rendered personal service.

Mr. HARRIS. Mr. President——

The PRESIDING OFFICER. Does the Senator from Pennsylvania yield to the Senator from Georgia?

Mr. REED of Pennsylvania. I yield.

Mr. HARRIS. I wish to remind the Senator that in 1921 I offered an amendment, which every Senator on the other side except the Senator from Idaho [Mr. BORAH] voted against and every Senator on this side voted for, providing for an earned income exemption.

Mr. REED of Pennsylvania. I am interested to know that, and yet I am willing to say, without hazard of contradiction, that I am sure the Senator did not talk as much as I did two years ago or make as much of a nuisance of himself as I did, because I feel very sincerely that the income tax law is a cruel discrimination against the workers of the Nation; and particularly where it is coupled with a graded surtax that penalizes a man for working long hours, not only by letting his tax go up with his increase in income, but by actually raising the rate on him because he works overtime. It is utterly indefensible; but, Mr. President, the Senate has in the last 48 hours made this proposed change impossible. We have taken off the tax on prize fights; we have taken off the tax on tickets to the Ziegfeld Follies, if you please; we have taken the tax off of motor cars which are bought as luxuries and nothing else; we have taken off the tax on the great trucks that ruin our roads in carrying the products of oil companies and coal companies around the country. We have taken off the tax on this and that and the next thing, until, as the bill now stands, it indicates a deficit of $125,000,000.

Mr. BORAH. Mr. President, we can vote on those matters again in the Senate; can we not?

Mr. REED of Pennsylvania. I hope we will vote on them again in the Senate. Because, however, we have been so generous to the prize fights and to Mr. Ziegfeld and to the automobile owners and to the truck owners and to the people who belong to a lot of clubs and have taken the tax off all of them—because we have been so generous, we can not now afford to be just to the man who works for his living.

Mr. WALSH. Mr. President, the Senator has omitted from his category those people who have incomes of more than $100,000.

Mr. REED of Pennsylvania. Why, yes, Mr. President. Let me tell you how that works out.

The architect of what to my mind is the most beautiful structure in the Western Hemisphere, the Woolworth Building, got his whole fee in one lump. He had rendered a service to his country by building a thing of great beauty. He worked for years on it. It took years to build the building; but his whole fee came in in one lump, and the United States of America showed its appreciation of his talent and of his years of work by taxing him up to 73 per cent of what he worked for, and at the same time let the capitalist, the man who was living on other men's labor, put his money into tax-free bonds, divide his property with his wife, and beat the surtaxes in that way.

As I said this morning—I think the Senator was not here then—the biggest evasion there is in all the income-tax system is this business of allowing a man and his wife to divide their income so that they both escape the higher surtaxes; and yet what chance would an amendment have here that required them to file a consolidated return? But a man who works for his living, as does the Senator who last spoke, can not divide with his wife the professional fees that he earns. He can not escape by working in any way that is free of tax. There is not any tax-free way of practicing law or working with a hammer and a saw; but there are a thousand and one ways of escaping income tax if you have money to invest.

That is another reason why the amendment of the Senator from Missouri appeals to me, because these people whom he would protect have no escape. The law gets them every time, but the man who gets an equal income from investments has a dozen loopholes through which he can get away from the taxes. But I come back to my original proposition, Mr. President. We have made it impossible to be just because we have been generous.

Mr. SMOOT. Mr. President, at this point I wish to say that this afternoon our actuary handed me a statement of the estimated revenue for the calendar year 1926. That statement shows that up to this moment the amount of the reductions provided for in the bill is $456,261,000. This is $28,000,000 more.

Mr. BORAH. Mr. President, there seems to be a concession upon the part of all that the amendment which the Senator from Missouri has offered is an amendment which in the interest of fairness and justice ought to be adopted. The only argument against it, as I understand, is that it takes out $28,000,000, and that we can not afford to take out $28,000,000 in view of the fact that we have cut out a number of other taxes which should have remained in the bill.

We have an opportunity to rectify those mistakes, if they have been mistakes, and I think they have. I voted against cutting out those taxes; that is, the admissions taxes. I was not present when the others were voted on. We can adopt the amendment of the Senator from Missouri and vote upon all these matters in the Senate, and perhaps we can correct whatever mistakes were made. We ought to make an effort to do what is conceded to be a fair thing.

Mr. SMOOT. The amendment can be offered in the Senate.

Mr. BORAH. But if we adopt it now, it will be a stronger argument to correct the two propositions against which the Senator from Pennsylvania inveighs, and I think properly. It seems to me that if we put them all in the Senate, we may be able to rectify what seems to be very generally conceded to be a mistake.

Mr. WALSH. Mr. President, I am not particularly concerned about the pending amendment so far as it affects lawyers. They frequently have opportunities to accumulate quite a substantial competence, particularly in these days and in the metropolitan centers. I was, however, very deeply impressed by what was said to me by an eminent physician of this city only a few months ago.

He said that a physician ordinarily does not commence the practice of his profession, after going through with his training, until he reaches the age of about 27 years. It takes him at least 15 years thereafter to attain anything like a reputation that enables him to begin to accumulate anything over and above what is absolutely necessary for the support of his family. He is then approaching 42 or 45 years of age, and he has about 15 years of experience before him during which he may be expected to accumulate a little more than enough to support his family.

The ordinary physician—and that is the physician who practices in a city like this—does not have the opportunities that come to lawyers or to engineers or to other professional men. I feel that we ought to make some concession to these men who fill professional positions.

Take the teachers in universities, who get possibly $10,000. Take those who reach a little higher than that and get $25,000 or $30,000. They are protected, of course, up to $20,000; that is to say, they get a concession to the extent of 25 per cent of their taxes. But there is a large class of professional men who earn below $50,000, who, as it seems to me, are as much entitled to this concession as those whose salaries run from $5,000 to $20,000; and I hope in their interest, at least, that this amendment will be adopted.

Mr. GEORGE. Mr. President, if this amendment is adopted it will be found that a great number of the people who have earned incomes are the people who are officers of corporations, and who absorb the incomes of the corporations in salaries and professional service.

Mr. WALSH. Mr. President, let me remind the Senator that that is taken care of very carefully in the bill, because it is expressly provided that the earned income shall not include salaries from corporations over and above fair returns for the services rendered.

Mr. GEORGE. I know, Mr. President; but who is going to determine the fair return for the services rendered? So far as taking care of earned income—that is, earned as the result of the activity of the man, the professional man, the artist, the man or woman of any class—no one can think of the amendment offered by the Senator from Missouri without sympathy. But the provision of this bill is to allow the 25 per cent reduction upon the earned incomes up to $20,000. That is to say, any man who has a net income which is earned not in excess of $20,000 is entitled to the 25 per cent reduction. That is to say, from his earnings he can take all of the deductions allowed by this law, he can take all of his exemptions, and if his net earnings do not exceed $20,000 he may have the 25 per cent reduction on his net income allowed by this law.

If you write this amendment into the law, you will allow corporations to absorb all of their incomes in salaries paid to stockholders in those corporations, and you will allow the rich man in every one of your advanced or higher brackets to present to the Treasury Department a showing of an earned income of $50,000, though he fills the important position of director, and perhaps has not inspected the physical properties of the concern which he himself owns, or largely owns. If you can confine it and if the Senator from Missouri will confine it to an income earned by men who really labor with hands or head, men who really labor and from their labor earn an income of $50,000 over and above all deductions and exemptions, then the amendment may be just.

Mr. BORAH. Mr. President——

Mr. GEORGE. I yield to the Senator.

Mr. BORAH. If there is nothing that prevents doing justice in this matter except a correct employment of language, it does seem to me that we ought to be able to do that. I think there is a great deal in what the Senator is saying; but can it not be properly protected or guarded by efficient and sufficient language?

Mr. WALSH. Mr. President, let me read the language of the bill:

> The term "earned income" means wages, salaries, professional fees, and other amounts received as compensation for personal services actually rendered, but does not include that part of the compensation derived by the taxpayer for personal services rendered by him to a corporation which represents a distribution of earnings or profits rather than a reasonable allowance as compensation for the personal services actually rendered.

How could language more explicit be adopted?

Mr. GEORGE. Mr. President, it may be as explicit as language can be; but I called on one of the employees of the Treasury Department, and he said that the rich man always has the maximum earned-income credit, and it always will be; and Senators may make language as explicit as they wish, the effect of the amendment is to exempt those very rich men who can absorb the incomes from their properties and corporate businesses by virtue of salaries paid to themselves.

Mr. BORAH. They would have to be crooks in order to do it.

Mr. GEORGE. I do not know whether they would have to be crooks in order to do it or not.

Mr. BORAH. Why, certainly they would be. There would have to be deception, and there would have to be connivance in the deception upon the part of the department.

Mr. REED of Missouri. There would have to be a false affidavit. The man would have to commit perjury.

Mr. GEORGE. Who is to determine the worth of the man to his own corporation? Who is to determine the worth of the man who directs the great enterprise, and how are you to determine it—according to petty technical rules? How can it be done with legal nicety? How can it be said that a man who is a director in a great corporation, with several millions of dollars invested, may not be worth $50,000 to that corporation? The larger the investment, the more likely it is that he will be worth the salary that is paid him. But the point I am making is that, as high as the earned-income provision is made in this act, that high, at least, will go the salaries of men who are furnishing the capital to operate those enterprises; and we might as well write off, so far as the large taxpayers are concerned, 25 per cent on all incomes of $50,000 or less, because that will be the effect; and, candidly, I think the slightest inquiry at the Treasury Department will convince anyone that that will be the effect of this provision in the law.

Mr. TRAMMELL. Mr. President——

The VICE PRESIDENT. Does the Senator yield to the Senator from Florida?

Mr. GEORGE. I yield.

Mr. TRAMMELL. The Senator will recall that we had before us the question of the profits being made by oil companies last year. A record was presented to the Senate showing the salaries paid to the directors of the different units of the Standard Oil Co., and it was shown that those directors drew from $40,000 to $125,000 per annum. Millions of dollars are expended in that way by the Standard Oil Co.

The language of the section of the bill to which the Senator from Montana called attention I do not think removes the objection raised by the Senator from Georgia. It provides that distribution shall not be included, but merely reasonable compensation for the services being rendered by the director or the officer of the company. As the Senator has said, that would still leave it an open question as to what reasonable compensation was for the services.

Mr. GEORGE. Mr. President, I have no doubt that the figures cited by the Senator from Florida showing the amounts paid to the directors of the Standard Oil Co. are correct, and I am not concerned about how the language of this act is framed. I recognize that many men may be worth much more than $50,000 to their business and to their corporations. I do not say that they are crooks, but I do say that if the amendment is written into the law as now suggested the incomes of corporations owned by men of large wealth will be absorbed, because it will be manifestly impossible by mere language to prevent it, and not only impossible, but it will probably be actually unjust, to say that a man who is a director in, who is responsible for the management of, and who shares the responsibility of the management of, a large business enterprise may not actually earn and may not actually earn in the open market an income of $50,000, or even an income greatly in excess of that amount.

It undoubtedly must be true that the average net income of the professional man or woman in America, less all deductions allowable, does not exceed $20,000; indeed, the average income of the professional man does not approximate the $20,000 mark.

Mr. KING. Mr. President, will the Senator yield?

Mr. GEORGE. I yield the floor.

Mr. KING. Mr. President, if the Senator will permit, under the bill, with the deductions to which the Senator has alluded, the man with an income of $20,000 would pay a tax of only $118.75. The man with an income of $24,000—and he need have no children—would pay a tax of $1,038 per annum; that is, counting the normal and surtaxes. The man with an income of $30,000 would pay a tax of only $1,700. The man with an income of $38,000 would pay an income tax of $2,898. The man with an income of $50,000 would pay a tax of $4,858. It does seem to me that we are manifesting too much solicitude for the persons to whom the Senator from Missouri has referred.

Mr. REED of Missouri. Mr. President, just a word. I do not think this question ought to be settled on the basis of an appeal against corporations or corporation directors. The number of persons receiving incomes between $30,000 and $50,000 derived from corporations for personal services can not be very large. The prejudice against corporations ought to have nothing to do with the equities and justice of this case. This applies to all individuals of the United States. It has a special application to professional men and other classes of men who earn their money by their brains, who generally never earn these sums of money until they are well advanced in years, and who frequently in one year get money which they have been earning for five or six years, and then have to pay heavy taxes.

I need not go over the arguments which have been made, but it is conceded that this is a just measure. There have been just two arguments made against it, both of them conceding its justice. One is that certain employees of great corpora-

tions, or directors of great corporations, will withdraw part of the profits of the corporations in the shape of salaries. That is met by the language of the bill itself, and if the language is not sufficiently specific, then let the Senator from Georgia or some other Senator make the language strong enough to suit him. The bill provides:

The term "earned income" means wages, salaries, professional fees, and other amounts received as compensation for personal services actually rendered, but does not include that part of the compensation derived by the taxpayer for personal services rendered by him to a corporation which represents a distribution of earnings or profits rather than a reasonable allowance as compensation for the personal services actually rendered.

It is said there would be difficulty in enforcing that provision. There is difficulty in enforcing every provision of a tax law, but I undertake to say that a director of a corporation who simply occasionally attends a directors' meeting, and who draws $50,000 a year for that, could be readily handled by the tax department.

It is also admitted that the exemption should go to $20,000. When it is said it should go to $20,000, there is admitted in a lesser degree, but there is nevertheless admitted, the defect to which attention is called by the Senator from Georgia. It is only a question of whether it is raised from $20,000 to $50,000.

The other objection is that we can not afford to lose this tax. Singularly enough, that argument comes from gentlemen who voted to make the surtax on incomes which may run to $100,000,000 a year only 20 per cent, and the money we lose by the reduction of that surtax several times over makes up the reduction caused by this. That is according to the figures that were given the other day.

If we have taken the tax off prize fights, and should not have; if we have taken the tax off—what is that show the Senator from Pennsylvania goes to up in New York? I have forgotten the name—the Follies. [Laughter.]

Mr. REED of Pennsylvania. The Senator is wrong. It was my namesake, I think.

Mr. REED of Missouri. No; I could not think of the name. I do not even know where the place is, but we all go when we get there. We get a guide. If we have taken the tax off of automobiles, which the Senator describes as purely pleasure vehicles, and should not have; that is no reason why we should leave an unjust tax where it should not be; and the Senator concedes it is an unjust tax.

This bill has not yet passed the Senate, and if we have made some mistakes, they can be rectified. I am not willing to see an injustice done to thousands of people in this country because we have made a mistake which we are still in a position to rectify. I say this is a fair and just exemption.

Mr. COPELAND. Mr. President, I have been absent from the Chamber a few minutes, and I am not sure just where the debate has gone. I wonder if Senators have given consideration to the men in the medical profession. Take a man like Will Mayo, or Charles Mayo. I suppose because the earnings of either one of these men are now very large each year, it may seem that no special consideration should be given them.

I see a smile on the face of the senior Senator from Utah. I do not believe he likes doctors, anyway.

It takes a long time for a man to fit himself in medicine to the point where he gets a large income. He has his premedical years, his college years, his medical training, his interne service, and then he has many years when he is on the verge of starvation.

I think I will confess, Mr. President, that I can remember years long ago when my budget permitted me 10 cents each day for breakfast and 25 cents on Sunday.

Mr. SMOOT. The Senator was extravagant.

Mr. COPELAND. I was extravagant, I venture to say. I suppose the Senator from Utah got along on 8 cents a day.

Mr. SMOOT. It did not average that much.

Mr. COPELAND. The doctor spends years and years before he fits himself to render the sort of service that commands high fees, and then that service is limited to a very few years. The man who has reached the age of 45 or 50 years before he is capable of earning large fees must make his money during a period of about 10 years, because when he gets to be 60 his eyesight is no longer good and his hand is trembling. He is not able to do the work which must be done carefully and cautiously and skillfully in order to be well done. It is true Doctor Osler said that at 60 a man should be chloroformed. He was joking, of course, but he had in mind the doctor who, when he gets to be 60, is past surgical usefulness in the community.

I confess that I have a lot of sympathy for what the Senator from Missouri is proposing to do. Personally, since I am more or less now out of surgical practice, I think I may vote for the Senator's amendment without being accused of seeking to improve my own condition.

Mr. TRAMMELL. Mr. President, will the Senator permit a question?

Mr. COPELAND. Certainly.

Mr. TRAMMELL. Does not the Senator think there will be a thousand directors and officers of corporations to get the benefit of the amendment where one physician would get the benefit of it?

Mr. COPELAND. I assume from what the Senator from Florida has said that he would be willing to give the doctors the benefit of it, but he worries about its misuse. However, the wording stated by the Senator from Montana and the Senator from Missouri would indicate to me that that particular possibility has been considered and is impossible of accomplishment.

Mr. REED of Pennsylvania. Mr. President, I have been told that the tenor of what I said about the amendment was not clear. I meant to say distinctly that I am going to vote against the amendment, although I believe ardently in the principle of it. I am going to vote against it for the sole and only reason that the rather precipitate action of the Senate day before yesterday has made it impossible for us now, in my opinion, to do the act of simple justice that the amendment of the Senator from Missouri contemplates.

Mr. HEFLIN. Mr. President, I can not permit the argument of the Senator from New York [Mr. COPELAND] to pass unnoticed. He said, in effect, that a man ought to be chloroformed when he is 60. I would hate to think that my good friend from New York is so rapidly approaching the chloroform age.

Mr. President, Alabama had in this body for more than 30 years one Senator who was 82 years old when he died, still a Member of the Senate. Almost to the day of his death his intellect was as clear and his service was as useful as at any time during his career. I refer to Senator John T. Morgan. Of course he was feeble physically, but his mind was clear and strong. His colleague here at that time, Gen. Edmund W. Pettus, was 86 years of age when he died. He was first elected to the Senate when he was 75 years old. I was a member of the Legislature of Alabama and helped to elect him. Legislatures elected United States Senators at that time. His mind up to a short time before his death was as clear and vigorous as that of any man in this body. To-day we have a Member of the Senate who is 83 years old, and he is one of the most useful and active Members in this body.

I do not feel that we ought to permit the kind of argument the Senator from New York made to pass without comment, because some of "us boys" hope to be here until after we are 60. [Laughter.]

Mr. McMASTER. Mr. President, I have been very much entertained by the statements of those who are interested in the incomes of the professional men who receive from $20,000 to $50,000 a year. I feel sorry for them. I really think that something ought to be done for that class of people.

However, while the discussion was going on I had in mind four millions of people in the country who are the heads of families, who are not only laboring men but are business men. Statistics show that those 4,000,000 men receive an annual net income of about $212 each. They are the 4,000,000 farmers who live in the great Northwest. I wish to say that so far as I am concerned, if the superlawyers in the Senate will help by some measure later on to raise the income of those 4,000,000 heads of families above the $212 mark, I shall be glad to support those who want something done for the men whose incomes are between $20,000 and $50,000.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Missouri, which will be stated.

The CHIEF CLERK. On page 33, line 12, the Senator from Missouri proposes to strike out "$20,000" and insert "$50,000," so as to make the paragraph read:

(3) The term "earned net income" means the excess of the amount of the earned income over the sum of the earned income deductions. If the taxpayer's net income is not more than $5,000, his entire net income shall be considered to be earned net income, and if his net income is more than $5,000, his earned net income shall not be considered to be less than $5,000. In no case shall the earned net income be considered to be more than $50,000.

Mr. SMOOT. Let us have the yeas and nays.

The yeas and nays were ordered, and the Chief Clerk proceeded to call the roll.

Mr. JONES of Washington (when the name of Mr. CURTIS was called). The senior Senator from Kansas [Mr. CURTIS] is necessarily absent on account of illness. He is paired with the Senator from Michigan [Mr. FERRIS]. If the Senator from Kansas were present, he would vote "nay."

Mr. FERRIS (when his name was called). I have a pair with the senior Senator from Kansas [Mr. CURTIS]. I am informed that if he were present he would vote as I intend to vote, and I am therefore at liberty to vote. I vote "nay."

Mr. FLETCHER (when his name was called). I have a general pair with the junior Senator from Delaware [Mr. DU PONT]. I am informed that he would vote as I am about to vote, and so I am free to vote. I vote "nay."

The roll call was concluded.

Mr. NORRIS. I desire to announce that the junior Senator from Iowa [Mr. BROOKHART] is unavoidably absent. He is paired with the junior Senator from Arkansas [Mr. CARAWAY]. If the junior Senator from Iowa were present, he would vote "nay."

I also desire to announce that the senior Senator from California [Mr. JOHNSON] is likewise unavoidably absent because of illness. He is paired with the senior Senator from Arkansas [Mr. ROBINSON]. If the senior Senator from California were present, he would vote "nay."

Mr. PEPPER (after having voted in the negative). I am recorded as voting "nay." I have, however, a pair with the junior Senator from New Mexico [Mr. BRATTON]. Not knowing how he would vote on this question, I must withdraw my vote.

Mr. COPELAND. On this matter I have a pair with my colleague, the senior Senator from New York [Mr. WADSWORTH]. Not knowing how he would vote, I withhold my vote.

Mr. BLEASE. I have a general pair with the junior Senator from Missouri [Mr. WILLIAMS]. In his absence I withhold my vote.

Mr. JONES of Washington. I was requested to announce that the junior Senator from Minnesota [Mr. SCHALL] is unavoidably detained from the Senate.

I desire to announce the following general pairs:

The Senator from Colorado [Mr. MEANS] with the Senator from Texas [Mr. MAYFIELD];

The Senator from Nebraska [Mr. HOWELL] with the Senator from Kentucky [Mr. ERNST];

The Senator from Connecticut [Mr. BINGHAM] with the Senator from Nevada [Mr. PITTMAN]; and

The Senator from Illinois [Mr. MCKINLEY] with the Senator from Virginia [Mr. SWANSON].

The result was announced—yeas 6, nays 57, as follows:

YEAS—6

Borah	Reed, Mo.	Smith	Walsh
Couzens	Sheppard		

NAYS—57

Bayard	Glass	McNary	Shipstead
Broussard	Hale	Metcalf	Shortridge
Butler	Harreld	Moses	Simmons
Cameron	Harris	Neely	Smoot
Capper	Harrison	Norbeck	Stanfield
Dale	Heflin	Norris	Trammell
Deneen	Jones, Wash.	Nye	Tyson
Edge	Kendrick	Oddie	Warren
Edwards	Keyes	Overman	Watson
Ferris	King	Phipps	Weller
Fletcher	La Follette	Pine	Wheeler
Frazier	Lenroot	Ransdell	Willis
George	McKellar	Reed, Pa.	
Gerry	McLean	Robinson, Ind.	
Gillett	McMaster	Sackett	

NOT VOTING—33

Ashurst	Curtis	Howell	Schall
Bingham	Dill	Johnson	Stephens
Blease	du Pont	Jones, N. Mex.	Swanson
Bratton	Ernst	McKinley	Underwood
Brookhart	Fernald	Mayfield	Wadsworth
Bruce	Fess	Means	Williams
Caraway	Goff	Pepper	
Copeland	Gooding	Pittman	
Cummins	Greene	Robinson, Ark.	

So the amendment of Mr. REED of Missouri was rejected.

Mr. McKELLAR. Mr. President, I ask unanimous consent to turn to page 170, the estate tax title, and ask that the vote by which the amendment at that point was agreed to may be reconsidered, for the purpose of offering an amendment.

The VICE PRESIDENT. Is there objection?

Mr. SMOOT. Just one moment, Mr. President.

Mr. McKELLAR. I refer to page 170, the estate tax amendment, which was agreed to yesterday or the day before.

Mr. SMOOT. I understand that the Senator from Tennessee desires to offer an inheritance tax as a substitute for the estate tax?

Mr. McKELLAR. No; I wish to offer an estate tax amendment. It may be offered in the Senate, but I am asking unanimous consent to do it as in Committee of the Whole.

Mr. SMOOT. I ask unanimous consent that the Senator from Tennessee be granted that privilege, and that the vote by which the amendment was agreed to may be reconsidered.

Mr. McKELLAR. For the purpose of offering an amendment.

Mr. SMOOT. That is all. I should not want to open this matter up again now while the bill is before the Senate as in Committee of the Whole and have the same question again brought up in the Senate.

Mr. McKELLAR. I only desire to offer an amendment.

Mr. SMOOT. I have no objection, with the understanding stated by the Senator from Tennessee.

Mr. McKELLAR. Mr. President, I have changed the amendment slightly, and I will send it to the desk in just a moment.

I desire to explain to the Senate just what the amendment means. I have taken the House provision and have changed the figures so as to begin at incomes of $500,000.

One per cent of the amount by which the net estate exceeds $500,000 and does not exceed $1,000,000;

Two per cent of the amount by which the net estate exceeds $1,000,000 and does not exceed $1,500,000;

Three per cent of the amount by which the net estate exceeds $1,500,000 and does not exceed $2,000,000;

Four per cent of the amount by which the net estate exceeds $2,000,000 and does not exceed $2,500,000;

Five per cent of the amount by which the net estate exceeds $2,500,000 and does not exceed $3,000,000;

Six per cent of the amount by which the net estate exceeds $3,000,000 and does not exceed $3,500,000;

Seven per cent of the amount by which the net estate exceeds $3,500,000 and does not exceed $4,000,000;

Eight per cent of the amount by which the net estate exceeds $4,000,000 and does not exceed $5,000,000;

Nine per cent of the amount by which the net estate exceeds $5,000,000 and does not exceed $6,000,000;

Ten per cent of the amount by which the net estate exceeds $6,000,000 and does not exceed $7,000,000;

Eleven per cent of the amount by which the net estate exceeds $7,000,000 and does not exceed $8,000,000;

Twelve per cent of the amount by which the net estate exceeds $8,000,000 and does not exceed $9,000,000;

Thirteen per cent of the amount by which the net estate exceeds $9,000,000 and does not exceed $10,000,000; and

Fourteen per cent of the amount by which the net estate exceeds $10,000,000.

Mr. President, I have also stricken out of the House provision that portion which proposes to refund to the States 80 per cent of the tax collected. I have submitted these figures to the actuary, Mr. McCoy, and he tells me that these rates, should the amendment be agreed to, will bring to the Government $43,000,000, all of which will go to the Government; none of it will go to the States. That provision of the bill is stricken out. It will begin at estates of $500,000, according to the figures which I have read, and even on the estates of $10,000,000 and over the percentage will only be 14 per cent. It is, comparatively speaking, a small tax upon the wealth of the country.

Mr. NORRIS. Mr. President——

Mr. McKELLAR. I yield to the Senator from Nebraska.

Mr. NORRIS. How does the amendment which the Senator proposes compare with the rates which he proposes to strike out in the House bill?

Mr. McKELLAR. The difference is this: The House rates begin at $50,000 and go up by several gradations to 20 per cent, but the House rates will produce, as I recall the figures, $100,000,000, of which the Federal Government would get $20,000,000 and $80,000,000 would be distributed among the States. If we have eliminated too many taxes from the bill, here is the place to get them back from people who, it seems to me, ought to bear them.

Mr. NORRIS. May I again interrupt the Senator?

Mr. McKELLAR. Indeed, the Senator may.

Mr. NORRIS. I am only asking the Senator a question for information, because I am not familiar with the amendment which the Senator has offered.

Mr. McKELLAR. It was left on the desks of Senators this morning.

Mr. NORRIS. The amendment has not been discussed?

Mr. McKELLAR. No; it has not been.

Mr. NORRIS. The Senator's amendment, if adopted, would not raise as much revenue as the House bill would raise, but all

the revenue which it would raise would go to the National Government.

Mr. McKELLAR. It would go to the National Government.

Mr. NORRIS. How much less revenue would the Senator's amendment, if adopted, raise than the House provision?

Mr. McKELLAR. It would raise more than double the amount; it would raise $43,000,000, whereas the House provision if adopted would raise for the National Government only $20,000,000.

Mr. NORRIS. I understand; but I am including that which is paid to the States.

Mr. McKELLAR. Including that which is given to the States, the House provision would raise $100,000,000.

Mr. NORRIS. That was my understanding.

Mr. McKELLAR. This amendment, if adopted, would raise $43,000,000.

Mr. NORRIS. So that, so far as the total revenue raised by each is concerned, the Senator's amendment would raise $43,000,000 and the House provision would raise $100,000,000.

Mr. McKELLAR. One would raise $43,000,000 and the other $100,000,000.

Mr. NORRIS. The reason why the Government would get more under the Senator's amendment is that under the House provision 80 per cent is given to the States.

Mr. McKELLAR. Yes.

Mr. NORRIS. How high do the rates go under the Senator's amendment?

Mr. McKELLAR. The highest rate is 14 per cent.

Mr. NORRIS. On estates of what size?

Mr. McKELLAR. On estates of $10,000,000 and over.

Mr. NORRIS. The rates under the House provision go up to 20 per cent.

Mr. McKELLAR. They reach 20 per cent on estates of $10,000,000 and over. That is the difference between the two amendments.

Mr. NORRIS. Are the administrative features the same?

Mr. McKELLAR. The administrative features are exactly the same. I have also included in my amendment, though it was not necessary to do so, that provision of the Senate committee amendment which was adopted a day or two ago providing for a reduction in the tax on estates under the revenue act of 1924.

Mr. NORRIS. Then, the Senator has that same retroactive feature in his amendment?

Mr. McKELLAR. Yes. It is already in the Senate committee amendment.

Mr. NORRIS. I wonder why the Senator copied that provision in his amendment. It seems to me it can not be defended by anybody.

Mr. McKELLAR. It has already been adopted by the Senate, and I thought perhaps it would facilitate the adoption of my amendment.

Mr. NORRIS. It was adopted by the Senate because the Senate was in the mood of repealing the estate tax entirely, and that was part of the motion.

Mr. McKELLAR. Yes; that is entirely true, but I think the two might well go together.

Mr. SIMMONS. I inquire if the amendment has been printed.

Mr. McKELLAR. It has been printed, but I want to say I have changed the figures from those contained in the printed copy in view of what the Actuary of the Treasury told me. I will give the Senator a copy of the amendment.

Mr. SIMMONS. Does the amendment provide for what is called an inheritance tax?

Mr. McKELLAR. No; it provides for an estate tax.

Mr. SIMMONS. It is similar to the estate tax which the present law provides.

Mr. McKELLAR. It is precisely the same as the provision of the House bill, with the exception of changes in the rates and with the elimination of the provision in the House text whereby the Government would act as tax collector for the States, and the States would be given 80 per cent of the tax collected.

Mr. SIMMONS. I was under the impression that the Senator was submitting an amendment substantially the same as the amendment of the Senator from New Mexico [Mr. JONES] providing for an inheritance tax.

Mr. McKELLAR. No; the amendment of the Senator from New Mexico provides for an inheritance tax, while my amendment provides for an estate tax. It seems to me it should receive the approval of the Senate if we desire to have any estate tax enacted at all. The amendment that I have offered is certainly very reasonable and fair. It does not apply until an estate reaches the enormous proportions of $500,000, and then the tax is only 1 per cent. There are several gradations, and the tax ends at only 14 per cent. It is a most moderate provision, and is one which, it seems to me, should commend itself to the Senate.

Mr. President, I wish to say that a day or two ago I listened with a great deal of care to the senior Senator from Nebraska [Mr. NORRIS], and the illustrations which he gave of enormously wealthy men receiving as gifts from their parents great sums of money without paying any tax at all made a great impression on me, and while I voted for the Senate committee amendment the other day, largely because of the provision in the House text which called upon the Government to collect taxes for the States, I feel that I made a mistake, and I want to correct that mistake to the best of my ability. So I am offering this amendment in that view in part.

Mr. SIMMONS. I am glad the Senator confesses that he made a mistake.

Mr. McKELLAR. Oh, yes; I think I did.

Mr. SIMMONS. I myself think the Senator did.

Mr. McKELLAR. I think I made a mistake in voting to do away with the tax entirely, but I did not make a mistake in voting against the provision which contemplated collecting $100,000,000 and turning back to the States $80,000,000 of it. I do not think the Federal Government ought to act as a tax collector for the various States. With that provision out of it I would probably have voted for the House provision.

Mr. WALSH. Mr. President——

The VICE PRESIDENT. Does the Senator from Tennessee yield to the Senator from Montana?

Mr. McKELLAR. I yield.

Mr. WALSH. The statement just made by the Senator from Tennessee leads me to remark that he has an entirely different idea of the provision of the House bill from what I have. I do not understand that the Government of the United States was to collect anything and turn it over to the States.

Mr. McKELLAR. That was the substance of the provision.

Mr. WALSH. The taxpayer would never pay it to the Government at all. He would pay his estate tax, and in the computation of the tax which he pays to the Government he gets a credit for 80 per cent of what he pays to the State.

Mr. McKELLAR. That as it seems to me is a distinction without a difference. What is done is that 80 per cent of the tax is paid back to the States or to the taxpayers of the States by virtue of the House provision. Further, it is true that the National Government only would get 20 per cent of the tax. It would impose a tax of 100 per cent and get only 20 per cent of it back.

Mr. SMOOT. Mr. President, I ask for the yeas and nays on the amendment of the Senator from Tennessee.

The VICE PRESIDENT. The question is on the amendment of the Senator from Tennessee.

The amendment proposed by Mr. McKELLAR is as follows:

Strike out all after line 2, on page 208, down to and including line 3, on page 212, as amended, and insert in lieu thereof the following:

TITLE III.—ESTATE TAX

SEC. 300. When used in this title—

The term "executor" means the executor or administrator of the decedent, or, if there is no executor or administrator appointed, qualified, and acting within the United States, then any person in actual or constructive possession of any property of the decedent;

The term "net estate" means the net estate as determined under the provisions of section 303;

The term "month" means calendar month; and

The term "collector" means the collector of internal revenue of the district in which was the domicile of the decedent at the time of his death, or, if there was no such domicile in the United States, then the collector of the district in which is situated the part of the gross estate of the decendent in the United States, or, if such part of the gross estate is situated in more than one district, then the collector of internal revenue of such district as may be designated by the commissioner.

SEC. 301. (a) In lieu of the tax imposed by Title III of the revenue act of 1924, a tax equal to the sum of the following percentages of the value of the net estate (determined as provided in section 303) is hereby imposed upon the transfer of the net estate of every decedent dying after the enactment of this act, whether a resident or nonresident of the United States:

One per cent of the amount by which the net estate exceeds $500,000 and does not exceed $1,000,000;

Two per cent of the amount by which the net estate exceeds $1,000,000 and does not exceed $1,500,000;

Three per cent of the amount by which the net estate exceeds $1,500,000 and does not exceed $2,000,000;

Four per cent of the amount by which the net estate exceeds $2,000,000 and does not exceed $2,500,000;

Five per cent of the amount by which the net estate exceeds $2,500,000 and does not exceed $3,000,000;

Six per cent of the amount by which the net estate exceeds $3,000,000 and does not exceed $3,500,000;

Seven per cent of the amount by which the net estate exceeds $3,500,000 and does not exceed $4,000,000;

Eight per cent of the amount by which the net estate exceeds $4,000,000 and does not exceed $5,000,000;

Nine per cent of the amount by which the net estate exceeds $5,000,000 and does not exceed $6,000,000;

Ten per cent of the amount by which the net estate exceeds $6,000,000 and does not exceed $7,000,000;

Eleven per cent of the amount by which the net estate exceeds $7,000,000 and does not exceed $8,000,000;

Twelve per cent of the amount by which the net estate exceeds $8,000,000 and does not exceed $9,000,000;

Thirteen per cen of the amount by which the net estate exceeds $9,000,000 and does not exceed $10,000,000;

Fourteen per cent of the amount by which the net estate exceeds $10,000,000.

SEC. 302. The value of the gross estate of the decedent shall be determined by including the value at the time of his death of all property, real or personal, tangible or intangible, wherever situated—

(a) To the extent of the interest therein of the decedent at the time of his death;

(b) To the extent of any interest therein of the surviving spouse, existing at the time of the decedent's death as dower, curtesy, or by virtue of a statute creating an estate in lieu of dower or curtesy;

(c) To the extent of any interest therein of which the decedent has at any time made a transfer, by trust or otherwise, in contemplation of or intended to take effect in possession or enjoyment at or after his death, except in case of a bona fide sale for a fair consideration in money or money's worth. Where within two years prior to his death and without such a consideration the decedent has made a transfer or transfers, by trust or otherwise, of any of his property, or an interest therein, not admitted or shown to have been made in contemplation of or intended to take effect in possession or enjoyment at or after his death, and the value or aggregate value, at the time of such death, of the property or interest so transferred to any one person is in excess of $5,000, then to the extent of such excess, such transfer or transfers shall be deemed and held to have been made in contemplation of death within the meaning of this title;

(d) To the extent of any interest therein of which the decedent has at any time made a transfer, by trust or otherwise, where the enjoyment thereof was subject at the date of his death to any change through the exercise of a power, either by the decedent alone or in conjunction with any person, to alter, amend, or revoke, or where the decedent relinquished any such power in contemplation of his death, except in case of a bona fide sale for a fair consideration in money or money's worth. The relinquishment of any such power, not admitted or shown to have been in contemplation of the decedent's death, made within two years prior to his death without such a consideration and affecting the interest or interests (whether arising from one or more transfers or the creation of one or more trusts) of any one beneficiary of a value or aggregate value, at the time of such death, in excess of $5,000, then, to the extent of such excess, such relinquishment or relinquishments shall be deemed and held to have been made in contemplation of death within the meaning of this title;

(e) To the extent of the interest therein held as joint tenants by the decedent and any other person, or as tenants by the entirety by the decedent and spouse, or deposited, with any person carrying on the banking business, in their joint names and payable to either or the survivor, except such part thereof as may be shown to have originally belonged to such other person and never to have been received or acquired by the latter from the decedent for less than a fair consideration in money or money's worth: *Provided*, That where such property or any part thereof, or part of the consideration with which such property was acquired, is shown to have been at any time acquired by such other person from the decedent for less than a fair consideration in money or money's worth, there shall be excepted only such part of the value of such property as is proportionate to the consideration furnished by such other person: *Provided further*, That where any property has been acquired by gift, bequest, devise, or inheritance, as a tenancy by the entirety by the decedent and spouse, then to the extent of one-half of the value thereof, or, where so acquired by the decedent and any other person as joint tenants and their interests are not otherwise specified or fixed by law, then to the extent of the value of a fractional part to be determined by dividing the value of the property by the number of joint tenants;

(f) To the extent of any property passing under a general power of appointment exercised by the decedent (1) by will, or (2) by deed executed in contemplation of, or intended to take effect in possession or enjoyment at or after, his death, except in case of a bona fide sale for a fair consideration in money or money's worth; and

(g) To the extent of the amount receivable by the executor as insurance under policies taken out by the decedent upon his own life; and to the extent of the excess over $40,000 of the amount receivable by all other beneficiaries as insurance under policies taken out by the decedent upon his own life.

(h) Subdivisions (b), (c), (d), (e), (f), and (g) of this section shall apply to the transfers, trusts, estates, interests, rights, powers, and relinquishment of powers, as severally enumerated and described therein, whether made, created, arising, existing, exercised, or relinquished before or after the enactment of this act, except that the second sentence of subdivision (c) and the second sentence of subdivision (d) shall apply only to transfers and relinquishments made after the enactment of this act.

SEC. 303. For the purpose of the tax the value of the net estate shall be determined—

(a) In the case of a resident, by deducting from the value of the gross estate—

(1) Such amounts for funeral expenses, administration expenses, claims against the estate, unpaid mortgages upon, or any indebtedness in respect to, property (except, in the case of a resident decedent, where such property is not situated in the United States), to the extent that such claims, mortgages, or indebtedness were incurred or contracted bona fide and for a fair consideration in money or money's worth, losses incurred during the settlement of the estate arising from fires, storms, shipwreck, or other casualty, or from theft, when such losses are not compensated for by insurance or otherwise, and such amounts reasonably required and actually expended for the support during the settlement of the estate of those dependent upon the decedent, as are allowed by the laws of the jurisdiction, whether within or without the United States, under which the estate is being administered, but not including any income taxes upon income received after the death of the decedent, or any estate, succession, legacy, or inheritance taxes;

(2) An amount equal to the value of any property (A) forming a part of the gross estate situated in the United States of any person who died within five years prior to the death of the decedent, or (B) transferred to the decedent by gift within five years prior to his death, where such property can be identified as having been received by the decedent from such donor by gift or from such prior decedent by gift, bequest, devise, or inheritance, or which can be identified as having been acquired in exchange for property so received. This deduction shall be allowed only where a gift tax imposed under the revenue act of 1924, or an estate tax imposed under this or any prior act of Congress was paid by or on behalf of the donor or the estate of such prior decedent as the case may be, and only in the amount of the value placed by the commissioner on such property in determining the value of the gift or the gross estate of such prior decedent, and only to the extent that the value of such property is included in the decedent's gross estate and not deducted under paragraph (1) or (3) of this subdivision;

(3) The amount of all bequests, legacies, devises, or transfers, except bona fide sales for a fair consideration in money or money's worth, in contemplation of or intended to take effect in possession or enjoyment at or after the decedent's death, to or for the use of the United States, any State, Territory, any political subdivision thereof, or the District of Columbia, for exclusively public purposes, or to or for the use of any corporation organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, including the encouragement of art and the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private stockholder or individual, or to a trustee or trustees, or a fraternal society, order, or association operating under the lodge system, but only if such contributions or gifts are to be used by such trustee or trustees, or by such fraternal society, order, or association, exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals. If the tax imposed by section 301, or any estate, succession, legacy, or inheritance taxes, are, either by the terms of the will, by the law of the jurisdiction under which the estate is administered, or by the law of the jurisdiction imposing the particular tax, payable in whole or in part out of the bequests, legacies, or devises otherwise deductible under this paragraph, then the amount deductible under this paragraph shall be the amount of such bequests, legacies, or devises reduced by the amount of such taxes; and

(4) An exemption of $50,000.

(b) In the case of a nonresident, by deducting from the value of that part of his gross estate which at the time of his death is situated in the United States:

(1) That proportion of the deductions specified in paragraph (1) of subdivision (a) of this section which the value of such part bears to the value of his entire gross estate, wherever situated, but in no case shall the amount so deducted exceed 10 per cent of the value of that

part of his gross estate which at the time of his death is situated in the United States;

(2) An amount equal to the value of any property (A) forming a part of the gross estate situated in the United States of any person who died within five years prior to the death of the decedent, or (B) transferred to the decedent by gift within five years prior to his death, where such property can be identified as having been received by the decedent from such donor by gift or from such prior decedent by gift, bequest, devise, or inheritance, or which can be identified as having been acquired in exchange for property so received. This deduction shall be allowed only where a gift tax imposed under the revenue act of 1924, or an estate tax imposed under this or any prior act of Congress was paid by or on behalf of the donor or the estate of such prior decedent as the case may be, and only in the amount of the value placed by the commissioner on such property in determining the value of the gift or the gross estate of such prior decedent, and only to the extent that the value of such property is included in that part of the decedent's gross estate which at the time of his death is situated in the United States and not deducted under paragraph (1) or (3) of this subdivision; and

(3) The amount of all bequests, legacies, devises, or transfers, except bona fide sales for a fair consideration, in money or money's worth, in contemplation of or intended to take effect in possession or enjoyment at or after the decedent's death, to or for the use of the United States, any State, Territory, any political subdivision thereof, or the District of Columbia, for exclusively public purposes, or to or for the use of any domestic corporation organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, including the encouragement of art and the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private stockholder or individual, or to a trustee or trustees, or a fraternal society, order, or association operating under the lodge system, but only if such contributions or gifts are to be used within the United States by such trustee or trustees, or by such fraternal society, order, or association, exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals. If the tax imposed by section 301, or any estate, succession, legacy or inheritance taxes, are, either by the terms of the will, by the law of the jurisdiction under which the estate is administered, or by the law of the jurisdiction imposing the particular tax, payable in whole or in part out of the bequests, legacies, or devises otherwise deductible under this paragraph, then the amount deductible under this paragraph shall be the amount of such bequests, legacies, or devises reduced by the amount of such taxes.

(c) No deduction shall be allowed in the case of a nonresident unless the executor includes in the return required to be filed under section 304 the value at the time of his death of that part of the gross estate of the nonresident not situated in the United States.

(d) For the purpose of this title, stock in a domestic corporation owned and held by a nonresident decedent shall be deemed property within the United States, and any property of which the decedent has made a transfer, by trust or otherwise, within the meaning of subdivision (c) or (d) of section 302, shall be deemed to be situated in the United States, if so situated either at the time of the transfer, or at the time of the decedent's death.

(e) The amount receivable as insurance upon the life of a nonresident decedent, and any moneys deposited with any person carrying on the banking business, by or for a nonresident decedent who was not engaged in business in the United States at the time of his death, shall not, for the purpose of this title, be deemed property within the United States.

(f) Missionaries duly commissioned and serving under boards of foreign missions of the various religious denominations in the United States, dying while in the foreign missionary service of such boards, shall not by reason merely of their intention to permanently remain in such foreign service be deemed nonresidents of the United States, but shall be presumed to be residents of the State, the District of Columbia, or the Territories of Alaska or Hawaii wherein they respectively resided at the time of their commission and their departure for such foreign service.

SEC. 304. (a) The executor, within two months after the decedent's death, or within a like period after qualifying as such, shall give written notice thereof to the collector. The executor shall also, at such times and in such manner as may be required by regulations made pursuant to law, file with the collector a return under oath in duplicate, setting forth (1) the value of the gross estate of the decedent at the time of his death, or, in case of a nonresident, of that part of his gross estate situated in the United States; (2) the deductions allowed under section 303; (3) the value of the net estate of the decedent as defined in section 303; and (4) the tax paid or payable thereon; or such part of such information as may at the time be ascertainable and such supplemental data as may be necessary to establish the correct tax.

(b) Return shall be made in all cases where the gross estate at the death of the decedent exceeds $50,000, and in the case of the estate of every nonresident any part of whose gross estate is situated in the United States. If the executor is unable to make a complete return as to any part of the gross estate of the decedent, he shall include in his return a description of such part and the name of every person holding a legal or beneficial interest therein, and upon notice from the collector such person shall in like manner make a return as to such part of the gross estate.

SEC. 305. (a) The tax imposed by this title shall be due and payable one year after the decedent's death and shall be paid by the executor to the collector.

(b) Where the commissioner finds that the payment on the due date of any part of the amount determined by the executor as the tax would impose undue hardship upon the estate, the commissioner may extend the time for payment of any such part not to exceed five years from the due date. In such case the amount in respect of which the extension is granted shall be paid on or before the date of the expiration of the period of the extension.

(c) If the time for the payment is thus extended there shall be collected, as a part of such amount, interest thereon at the rate of 6 per cent per annum from the expiration of six months after the due date of the tax to the expiration of the period of the extension.

(d) The time for which the commissioner may extend the time for payment of the estate tax imposed by Title IV of the revenue act of 1921 is hereby increased from three years to five years.

SEC. 306. As soon as practicable after the return is filed the commissioner shall examine it and shall determine the correct amount of the tax.

SEC. 307. As used in this title in respect of a tax imposed by this title the term "deficiency" means—

(1) The amount by which the tax imposed by this title exceeds the amount shown as the tax by the executor upon his return; but the amount so shown on the return shall first be increased by the amounts previously assessed (or collected without assessment) as a deficiency, and decreased by the amounts previously abated, refunded, or otherwise repaid in respect of such tax; or

(2) If no amount is shown as the tax by the executor upon his return, or if no return is made by the executor, then the amount by which the tax exceeds the amounts previously assessed (or collected without assessment) as a deficiency; but such amounts previously assessed, or collected without assessment, shall first be decreased by the amounts previously abated, refunded, or otherwise repaid in respect of such tax.

SEC. 308. (a) If the commissioner determines that there is a deficiency in respect of the tax imposed by this title, the executor, except as provided in subdivision (d) or (f), shall be notified of such deficiency by registered mail. Within 60 days after such notice is mailed, the executor may file a petition with the Board of Tax Appeals for a redetermination of the deficiency. Except as provided in subdivision (d) or (f) of this section or in section 279 or in section 912 of the revenue act of 1924 as amended, no assessment of a deficiency in respect of the tax imposed by this title and no distraint or proceeding in court for its collection shall be made, begun, or prosecuted until the taxpayer has been notified of such deficiency as above provided, nor until the expiration of such 60-day period, nor, if a petition has been filed with the board, until the decision of the board has become final. The executor, notwithstanding the provisions of section 3224 of the Revised Statutes, may enjoin by a proceeding in the proper court the making of such assessment or the beginning of such proceeding or distraint during the time such prohibition is in force.

(b) If the executor files a petition with the board, the entire amount redetermined as the deficiency by the decision of the board which has become final shall be assessed and shall be paid upon notice and demand from the collector. No part of the amount determined as a deficiency by the commissioner but disallowed as such by the decision of the board which has become final shall be assessed or be collected by distraint or by proceeding in court with or without assessment.

(c) If the executor does not file a petition with the board within the time prescribed in subdivision (a) of this section, the deficiency of which the executor has been notified shall be assessed, and shall be paid upon notice and demand from the collector.

(d) If the commissioner believes that the assessment or collection of a deficiency will be jeopardized by delay, such deficiency shall be assessed immediately and notice and demand shall be made by the collector for the payment thereof. In such case the jeopardy assessment may be made (1) without giving the notice provided in subdivision (a) of this section, or (2) before the expiration of the 60-day period provided in subdivision (a) of this section even though such notice has been given, or (3) at any time prior to the decision of the board upon such deficiency even though the executor has filed a petition with the board, or (4) in the case of any part of the deficiency allowed by the board, at any time before the expiration of 90 days after the decision of the board was rendered, but not after the executor has filed a review bond under section 912 of the revenue act of 1924 as amended. Upon the making of the jeopardy assessment the jurisdiction of the board and the right of the executor to appeal from the board shall cease. If the executor does not file a claim in abatement with bond as provided in section 312, the deficiency so

assessed (or, if the claim so filed covers only a part of the deficiency, then the amount not covered by the claim) shall be paid upon notice and demand from the collector.

(e) The board shall have jurisdiction to redetermine the correct amount of the deficiency even if the amount so redetermined is greater than the amount of the deficiency of which the executor was notified, whether or not claim therefor is asserted by the commissioner at or before the hearing; but the board shall by rules prescribe under what conditions and at what times the commissioner may assert before the board that the deficiency is greater than the amount of which the executor was notified.

(f) If after the enactment of this act the commissioner has notified the executor of a deficiency as provided in subdivision (a), he shall have no right to determine any additional deficiency, except in the case of fraud, and except as provided in subdivision (e). If the executor is notified that on account of a mathematical error appearing upon the face of the return an amount of tax in excess of that shown upon the return is due, and that an assessment of the tax has been or will be made on the basis of what would have been the correct amount of tax but for the mathematical error, such notification shall not be considered for the purposes of this subdivision or of subdivision (a) of this section or of section 317 as a notification of a deficiency, and the executor shall have no right to file a petition with the Board of Tax Appeals based on such notification, nor shall such assessment be prohibited by the provisions of subdivision (a) of this section.

(g) For the purposes of this title the time at which a decision of the board becomes final shall be determined according to the provisions of section 916 of the revenue act of 1924, as amended.

(h) Interest upon the amount determined as a deficiency shall be assessed at the same time as the deficiency, shall be paid upon notice and demand from the collector, and shall be collected as a part of the tax, at the rate of 6 per cent per annum from the due date of the tax to the date the deficiency is assessed.

(i) Where it is shown to the satisfaction of the commissioner that the payment of a deficiency upon the date prescribed for the payment thereof will result in undue hardship to the estate, the commissioner, with the approval of the Secretary (except where the deficiency is due to negligence, to intentional disregard of rules and regulations, or to fraud with intent to evade tax), may grant an extension for the payment of such deficiency or any part thereof for a period not in excess of two years. If an extension is granted, the commissioner may require the executor to furnish a bond in such amount, not exceeding double the amount of the deficiency, and with such sureties as the commissioner deems necessary, conditioned upon the payment of the deficiency in accordance with the terms of the extension. In such case there shall be collected, as a part of the tax, interest on the part of the deficiency the time for payment of which is so extended, at the rate of 6 per cent per annum for the period of the extension, and no other interest shall be collected on such part of the deficiency for such period. If the part of the deficiency the time for payment of which is so extended is not paid in accordance with the terms of the extension, there shall be collected, as a part of the tax, interest on such unpaid amount at the rate of 1 per cent a month for the period from the time fixed by the terms of the extension for its payment until it is paid, and no other interest shall be collected on such unpaid amount for such period.

(j) The 50 per cent addition to the tax provided by section 3176 of the Revised Statutes, as amended, shall, when assessed after the enactment of this act in connection with an estate tax, be assessed, collected, and paid in the same manner as if it were a deficiency, except that the provisions of subdivision (h) of this section shall not be applicable.

SEC. 309. (a) (1) Where the amount determined by the executor as the tax imposed by this title, or any part of such amount, is not paid on the due date of the tax, there shall be collected as a part of the tax, interest upon such unpaid amount at the rate of 1 per cent a month from the due date until it is paid.

(2) Where an extension of time for payment of the amount so determined as the tax by the executor has been granted, and the amount the time for payment of which has been extended, and the interest thereon determined under subdivision (c) of section 305, is not paid in full prior to the expiration of the period of the extension, then, in lieu of the interest provided for in paragraph (1) of this subdivision, interest at the rate of 1 per cent a month shall be collected on such unpaid amount from the date of the expiration of the period of the extension until it is paid.

(b) Where a deficiency, or any interest assessed in connection therewith under subdivision (h) of section 308, or any addition to the tax provided for in section 3176 of the Revised Statutes, as amended, is not paid in full within 30 days from the date of notice and demand from the collector, there shall be collected as part of the tax, interest upon the unpaid amount at the rate of 1 per cent a month from the date of such notice and demand until it is paid.

(c) If a claim in abatement is filed, as provided in section 312, the provisions of subdivision (b) of this section shall not apply to the amount covered by the claim in abatement.

SEC. 310. (a) Except as provided in section 311, the amount of the estate taxes imposed by this title shall be assessed within four years after the return was filed, and no proceeding in court for the collection of such taxes shall be begun after the expiration of five years after the return was filed.

(b) The running of the statute of limitations on the making of assessments and the beginning of distraint or a proceeding in court for collection, in respect of any deficiency, shall be suspended for the period during which, under the provisions of this title, the commissioner is prohibited from making the assessment or beginning distraint or a proceeding in court.

SEC. 311. (a) In the case of a false or fraudulent return with intent to evade tax or of a failure to file a return the tax may be assessed, or a proceeding in court for the collection of such tax may be begun without assessment, at any time.

(b) Where the assessment of the tax is made within the period prescribed in section 310 or in this section, such tax may be collected by distraint or by a proceeding in court, begun within (1) six years after the assessment of the tax, or (2) at any time prior to the expiration of any period for collection agreed upon in writing by the commissioner and the executor.

(c) This section shall not affect any assessment made, or distraint or proceeding in court begun, before the enactment of this act, nor shall it authorize the assessment of a tax or the collection thereof by distraint or by a proceeding in court (1) if at the time of the enactment of this act such assessment, distraint, or proceeding was barred by the period of limitation then in existence, or (2) contrary to the provisions of subdivision (a) of section 308.

SEC. 312. (a) If a deficiency has been assessed under subdivision (d) of section 308, the executor, within 30 days after notice and demand from the collector for the payment thereof, may file with the collector a claim for the abatement of such deficiency, or any part thereof, or of any interest or additional amounts assessed in connection therewith, or of any part of any such interest or additional amounts. If such claim is accompanied by a bond, in such amount not exceeding double the amount of the claim, and with such sureties, as the collector deems necessary, conditioned upon the payment of so much of the amount of the claim as is not abated, together with interest thereon as provided in subdivision (c) of this section, then upon the filing of such claim and bond, the collection of so much of the amount assessed as is covered by such claim and bond shall be stayed pending the final disposition of the claim.

(b) When a claim is filed and accepted by the collector he shall transmit the claim immediately to the commissioner, who shall by registered mail notify the executor of his decision on the claim. The executor may, within 60 days after such notice is mailed, file a petition with the Board of Tax Appeals. In cases where collection has been stayed by the filing of a bond, then if the claim is denied in whole or in part by the commissioner (or, if a petition has been filed with the board, if such claim is denied in whole or in part by a decision of the board which has become final), the amount, the claim for which is denied, shall be collected as part of the tax upon notice and demand from the collector, and the amount, the claim for which is allowed, shall be abated. In cases where collection has not been stayed by the filing of a bond, then if the claim is allowed in whole or in part by the commissioner (or, if a petition has been filed with the board, if such claim is allowed in whole or in part by a decision of the board which has become final), the amount so allowed shall be credited or refunded as provided in section 281, or, if collection has not been made, shall be abated.

(c) In cases where collection has been stayed by the filing of a bond, then if the claim in abatement is denied in whole or in part, there shall be collected, at the same time as the part of the claim denied, and as a part of the tax, interest at the rate of 6 per cent per annum upon the amount of the claim denied, from the date of notice and demand from the collector under subdivision (d) of section 308 to the date of the notice and demand under subdivision (b) of this section. If the amount included in the notice and demand from the collector under subdivision (b) of this section is not paid in full within 30 days after such notice and demand, then there shall be collected, as part of the tax, interest upon the unpaid amount at the rate of 1 per cent a month from the date of such notice and demand until it is paid.

(d) Except as provided in this section, no claim in abatement shall be filed in respect of any assessment made after the enactment of this act in respect of any estate tax.

SEC. 313. (a) The collector shall grant to the person paying the tax duplicate receipts, either of which shall be sufficient evidence of such payment and shall entitle the executor to be credited and allowed the amount thereof by any court having jurisdiction to audit or settle his accounts.

(b) If the executor makes written application to the commissioner for determination of the amount of the tax and discharge from personal liability therefor, the commissioner (as soon as possible, and in any event within one year after the making of such application, or, if the application is made before the return is filed, then within one

year after the return is filed, but not after the expiration of the period prescribed for the assessment of the tax in section 310) shall notify the executor of the amount of the tax. The executor, upon payment of the amount of which he is notified, shall be discharged from personal liability for any deficiency in tax thereafter found to be due and shall be entitled to a receipt or writing showing such discharge.

(c) The provisions of subdivision (b) shall not operate as a release of any part of the gross estate from the lien for any deficiency that may thereafter be determined to be due, unless the title to such part of the gross estate has passed to a bona fide purchaser for value, in which case such part shall not be subject to a lien or to any claim or demand for any such deficiency, but the lien shall attach to the consideration received from such purchaser by the heirs, legatees, devisees, or distributees.

SEC. 314. (a) If the tax herein imposed is not paid on or before the due date thereof, the collector shall, upon instruction from the commissioner, proceed to collect the tax under the provisions of general law or commence appropriate proceedings in any court of the United States having jurisdiction, in the name of the United States, to subject the property of the decedent to be sold under the judgment or decree of the court. From the proceeds of such sale the amount of the tax, together with the costs and expenses of every description to be allowed by the court, shall be first paid, and the balance shall be deposited according to the order of the court, to be paid under its direction to the person entitled thereto. This subdivision, in so far as it applies to the collection of a deficiency, shall be subject to the provisions of section 308.

(b) If the tax or any part thereof is paid by, or collected out of that part of the estate passing to or in the possession of, any person other than the executor in his capacity as such, such person shall be entitled to reimbursement out of any part of the estate still undistributed or by a just and equitable contribution by the persons whose interest in the estate of the decedent would have been reduced if the tax had been paid before the distribution of the estate or whose interest is subject to equal or prior liability for the payment of taxes, debts, or other charges against the estate, it being the purpose and intent of this title that so far as is practicable and unless otherwise directed by the will of the decedent the tax shall be paid out of the estate before its distribution. If any part of the gross estate consists of proceeds of policies of insurance upon the life of the decedent receivable by a beneficiary other than the executor, the executor shall be entitled to recover from such beneficiary such portion of the total tax paid as the proceeds, in excess of $40,000, of such policies bear to the net estate. If there is more than one such beneficiary the executor shall be entitled to recover from such beneficiaries in the same ratio.

SEC. 315. (a) Unless the tax is sooner paid in full, it shall be a lien for 10 years upon the gross estate of the decedent, except that such part of the gross estate as is used for the payment of charges against the estate and expenses of its administration, allowed by any court having jurisdiction thereof, shall be divested of such lien. If the commissioner is satisfied that the tax liability of an estate has been fully discharged or provided for, he may, under regulations prescribed by him with the approval of the secretary, issue his certificate releasing any or all property of such estate from the lien herein imposed.

(b) If (1) the decedent makes a transfer, by trust or otherwise, of any property in contemplation of or intended to take effect in possession or enjoyment at or after his death (except in the case of a bona fide sale for a fair consideration in money or money's worth), or (2) if insurance passes under a contract executed by the decedent in favor of a specific beneficiary, and if in either case the tax in respect thereto is not paid when due, then the transferee, trustee, or beneficiary shall be personally liable for such tax, and such property, to the extent of the decedent's interest therein at the time of such transfer, or to the extent of such beneficiary's interest under such contract of insurance, shall be subject to a like lien equal to the amount of such tax. Any part of such property sold by such transferee or trustee to a bona fide purchaser for a fair consideration in money or money's worth shall be divested of the lien and a like lien shall then attach to all the property of such transferee or trustee, except any part sold to a bona fide purchaser for a fair consideration in money or money's worth.

SEC. 316. (a) If after the enactment of this act the commissioner determines that any assessment should be made in respect of any estate tax imposed by the revenue act of 1917, the revenue act of 1918, the revenue act of 1921, or the revenue act of 1924, or by any such act as amended, the commissioner shall notify the person liable for such tax by registered mail of the amount proposed to be assessed, which notification shall, for the purposes of this act, be considered a notification under subdivision (a) of section 308 of this act. In such cases the amount which should be assessed (whether as deficiency or additional tax or as interest, penalty, or other addition to the tax) shall be computed as if this act had not been enacted, but the amount so computed shall be assessed, collected, and paid in the same manner and subject to the same provisions and limitations (including the provisions in case of delinquency in payment after notice and demand and the provisions prohibiting claims and suits for refund) as in the case of the tax imposed by this title, except that the period of limitation prescribed in section 1109 of this act shall be applied in lieu of the period prescribed in subdivision (a) of section 310.

(b) If before the enactment of this act any person has appealed to the Board of Tax Appeals under subdivision (a) of section 308 of the revenue act of 1924 (if such appeal relates to a tax imposed by Title III of such act or to so much of an estate tax imposed by prior act as was not assessed before June 3, 1924), and the decision of the board was not made before the enactment of this act, the board shall have jurisdiction of the appeal. In all such cases the powers, duties, rights, and privileges of the commissioner and of the person who has brought the appeal, and the jurisdiction of the board and of the courts, shall be determined, and the computation of the tax shall be made, in the same manner as provided in subdivision (a) of this section, except that the person liable for the tax shall not be subject to the provisions of subdivision (a) of section 317.

(c) If before the enactment of this act the commissioner has mailed to any person a notice under subdivision (a) of section 308 of the revenue act of 1924 (whether in respect of a tax imposed by Title III of such act or in respect of so much of an estate tax imposed by prior act as was not assessed before June 3, 1924), and if the 60-day period referred to in such subdivision has not expired before the enactment of this act, such person may file a petition with the board in the same manner as if a notice of deficiency had been mailed after the enactment of this act in respect of a deficiency in a tax imposed by this title. In such cases the 60-day period referred to in subdivision (a) of section 308 of this act shall begin on the date of the enactment of this act, and the powers, duties, rights, and privileges of the commissioner and of the person who has filed the petition, and the jurisdiction of the board and of the courts, shall, whether or not the petition is filed, be determined, and the computation of the tax shall be made, in the same manner as provided in subdivision (a) of this section.

(d) If any estate tax imposed by the revenue act of 1917, the revenue act of 1918, or the revenue act of 1921, or by any such act as amended, was assessed before June 3, 1924, but was not paid in full before the date of the enactment of this act, and if the commissioner, after the enactment of this act, finally determines the amount of the deficiency, he shall notify the person liable for such tax by registered mail of the amount proposed to be collected, which notification shall, for the purposes of this act, be considered a notification under subdivision (a) of section 308 of this act. In such case the amount to be collected (whether as deficiency or additional tax or as interest, penalty, or other additions to the tax) shall be computed as if this act had not been enacted, but the amount so computed shall be assessed, collected, and paid in the same manner and subject to the same provisions and limitations (including the provisions in cases of delinquency in payment after notice and demand, and the provisions relating to claims and suits for refund) as in the case of the tax imposed by this title, except as otherwise provided in subdivision (g) of this section, and except that the period of limitation prescribed in section 1109 of this act shall be applied in lieu of the period prescribed in subdivision (a) of section 310.

(e) If any estate tax imposed by the revenue act of 1917, the revenue act of 1918, or the revenue act of 1921, or by any such act as amended, was assessed before June 3, 1924, but was not paid in full before that date, and if the commissioner after June 2, 1924, but before the enactment of this act, finally determined the amount of the deficiency, and if the person liable for such tax appealed before the enactment of this act to the Board of Tax Appeals and the decision of the board was not made before the enactment of this act, the board shall have jurisdiction of the appeal. In all such cases the powers, duties, rights, and privileges of the commissioner and of the person who has brought the appeal, and the jurisdiction of the board and of the courts, shall be determined, and the computation of the tax shall be made, in the same manner as provided in subdivision (d) of this section, except that the person liable for the tax shall not be subject to the provisions of subdivision (a) of section 317.

(f) If any estate tax imposed by the revenue act of 1917, the revenue act of 1918, or the revenue act of 1921, or by any such act as amended, was assessed before June 3, 1924, but was not paid in full before the date of the enactment of this act, and if the commissioner after June 2, 1924, finally determined the amount of the deficiency, and notified the person liable for such tax to that effect less than 60 days prior to the enactment of this act, the person so notified may file a petition with the board in the same manner as if a notice of deficiency had been mailed after the enactment of this act in respect of a deficiency in a tax imposed by this title. In such cases the 60-day period referred to in subdivision (a) of section 308 of this act shall begin on the date of the enactment of this act, and, whether or not the petition is filed, the powers, duties, rights, and privileges of the commissioner and of the person who is so notified, and the jurisdiction

of the board and of the courts, shall be determined, and the computation of the tax be made, in the same manner as provided in subdivision (d) of this section.

(g) In cases within the scope of subdivision (d), (e), or (f), if the commissioner believes that the collection of the deficiency will be jeopardized by delay, he may, despite the provisions of subdivision (a) of section 308 of this act, instruct the collector to proceed to enforce the payment of the deficiency. Such action by the collector and the commisisoner may be taken at any time prior to the decision of the board upon such deficiency even though the person liable for the tax has filed a petition with the board, or, in the case of any part of the deficiency allowed by the board, at any time before the expiration of 90 days after the decision of the board was rendered, but not after the person liable for the tax has filed a review bond under section 912 of the revenue act of 1924 as amended, and thereupon the jurisdiction of the board and the right of the taxpayer to appeal from the board shall cease. Upon payment of the deficiency in such case the person liable for the tax shall not be subject to the provisions of subdivision (a) of section 317.

SEC. 317. (a) If the commissioner has notified the executor of a deficiency or has made an assessment under subdivision (d) of section 308, the right of the executor to file a petition with the Board of Tax Appeals and to appeal from the decision of the board to the courts shall constitute his sole right to contest the amount of the tax, and, whether or not he files a petition with the board, no credit or refund in respect of such tax shall be made and no suit for the recovery of any part of such tax shall be maintained in any court, except as provided in subdivision (b) of this section or in subdivision (b) of section 312 or in subdivision (b), (e), or (g) of section 316 of this act or in section 912 of the revenue act of 1924 as amended This subdivision shall not apply in any case where the executor proves to the satisfaction of the commissioner or the court, as the case may be, that the notice under subdivision (a) of section 308 or subdivision (b) of section 312 was not received by him before the expiration of 45 days from the time such notice was mailed.

(b) If the Board of Tax Appeals finds that there is no deficiency and further finds that the executor has made an overpayment of tax, the board shall have jurisdiction to determine the amount of such overpayment, and such amount shall, when the decision of the board has become final, be credited or refunded to the executor as provided in section 3220 of the Revised Statutes, as amended Such refund or credit shall be made either (1) if claim therefor was filed within the period of limitation provided for in section 3228 of the Revised Statutes, as amended, or (2) if the petition was filed with the board within four years after the tax was paid.

SEC. 318. (a) Whoever knowingly makes any false statement in any notice or return required to be filed under this title shall be liable to a penalty of not exceeding $5,000 or imprisonment not exceeding one year, or both.

(b) Whoever fails to comply with any duty imposed upon him by section 304, or, having in his possession or control any record, file, or paper, containing or supposed to contain any information concerning the estate of the decedent, or, having in his possession or control any property comprised in the gross estate of the decedent, fails to exhibit the same upon request to the commissioner or any collector or law officer of the United States or his duly authorized deputy or agent, who desires to examine the same in the performance of his duties under this title, shall be liable to a penalty of not exceeding $500, to be recovered, with costs of suit, in a civil action in the name of the United States.

SEC. 319. (a) The terms "resident" as used in this title includes a citizen of the United States with respect to whose property any probate or administration proceedings are had in the United States Court for China. Where no part of the gross estate of such decedent is situated in the United States at the time of his death, the total amount of tax due under this title shall be paid to or collected by the clerk of such court, but where any part of the gross estate of such decedent is situated in the United States at the time of his death, the tax due under this title shall be paid to or collected by the collector of the district in which is situated the part of the gross estate in the United States, or, if such part is situated in more than one district, then the collector of such district as may be designated by the commissioner.

(b) For the purpose of this section the clerk of the United States Court for China shall be a collector for the territorial jurisdiction of such court, and taxes shall be collected by and paid to him in the same manner and subject to the same provisions of law, including penalties, as the taxes collected by and paid to a collector in the United States.

SEC. 300 (a) Section 301 of the revenue act of 1924 is amended to read as follows:

"SEC. 301. (a) In lieu of the tax imposed by Title IV of the revenue act of 1921, a tax equal to the sum of the following percentages of the value of the net estate (determined as provided in sec. 303) is hereby imposed upon the transfer of the net estate of every decedent dying after the enactment of this act, whether a resident or nonresident of the United States:

"One per cent of the amount of the net estate not in excess of $50,000;

"Two per cent of the amount by which the net estate exceeds $50,000 and does not exceed $150,000;

"Three per cent of the amount by which the net estate exceeds $150,000 and does not exceed $250,000;

"Four per cent of the amount by which the net estate exceeds $250,000 and does not exceed $450,000;

"Six per cent of the amount by which the net estate exceeds $450,000 and does not exceed $750,000;

"Eight per cent of the amount by which the net estate exceeds $750,000 and does not exceed $1,000,000;

"Ten per cent of the amount by which the net estate exceeds $1,000,000 and does not exceed $1,500,000;

"Twelve per cent of the amount by which the net estate exceeds $1,500,000 and does not exceed $2,000,000;

"Fourteen per cent of the amount by which the net estate exceeds $2,000,000 and does not exceed $3,000,000;

"Sixteen per cent of the amount by which the net estate exceeds $3,000,000 and does not exceed $4,000,000;

"Eighteen per cent of the amount by which the net estate exceeds $4,000,000 and does not exceed $5,000,000;

"Twenty per cent of the amount by which the net estate exceeds $5,000,000 and does not exceed $8,000,000;

"Twenty-two per cent of the amount by which the net estate exceeds $8,000,000 and does not exceed $10,000,000; and

"Twenty-five per cent of the amount by which the net estate exceeds $10,000,000."

(b) Subdivision (a) of this section shall take effect as of June 2, 1924.

SEC. 301. (a) So much of paragraph (3) of subdivision (a) and of paragraph (3) of subdivision (b) of section 303 of the revenue act of 1924 as reads as follows: "If the tax imposed by section 301, or any estate, succession, legacy, or inheritance taxes, are either by the terms of the will, by the law of the jurisdiction under which the estate is administered, or by the law of the jurisdiction imposing the particular tax payable in whole or in part out of the bequests, legacies, or devises otherwise deductible under this paragraph, then the amount deductible under this paragraph shall be the amount of such bequests, legacies, or devises reduced by the amount of such taxes" is repealed.

(b) Subdivision (a) of this section shall take effect as of June 2, 1924.

SEC. 302. (a) Section 319 of the revenue act of 1924 is amended to read as follows:

"SEC. 319. For the calendar year 1924 and each calendar year thereafter a tax equal to the sum of the following is hereby imposed upon the transfer by a resident by gift during such calendar year of any property wherever situated, whether made directly or indirectly, and upon the transfer by a nonresident by gift during such calendar year of any property situated within the United States, whether made directly or indirectly:

"One per cent of the amount of the taxable gifts not in excess of $50,000;

"Two per cent of the amount by which taxable gifts exceeds $50,000 and do not exceed $150,000;

"Three per cent of the amount by which the taxable gifts exceed $150,000 and do not exceed $250,000;

"Four per cent of the amount by which the taxable gifts exceed $250,000 and do not exceed $450,000;

"Six per cent of the amount by which the taxable gifts exceed $450,000 and do not exceed $750,000;

"Eight per cent of the amount by which the taxable gifts exceed $750,000 and do not exceed $1,000,000;

"Ten per cent of the amount by which the taxable gifts exceed $1,000,000 and do not exceed $1,500,000;

"Twelve per cent of the amount by which the taxable gifts exceed $1,500,000 and do not exceed $2,000,000;

"Fourteen per cent of the amount by which the taxable gifts exceed $2,000,000 and do not exceed $3,000,000;

"Sixteen per cent of the amount by which the taxable gifts exceed $3,000,000 and do not exceed $4,000,000;

"Eighteen per cent of the amount by which the taxable gifts exceed $4,000,000 and do not exceed $5,000,000;

"Twenty per cent of the amount by which the taxable gifts exceed $5,000,000 and do not exceed $8,000,000;

"Twenty-two per cent of the amount by which the taxable gifts exceed $8,000,000 and do not exceed $10,000,000; and

"Twenty-five per cent of the amount by which the taxable gifts exceed $10,000,000."

(b) Subdivision (a) of this section shall take effect as of June 2, 1924.

SEC. 303. Any tax that has been paid under the provisions of Title III of the revenue act of 1924 prior to the enactment of this act in excess of the tax imposed by such title as amended by this act shall be regarded as an internal-revenue tax illegally assessed or collected.

The VICE PRESIDENT. On the question of agreeing to the amendment of the Senator from Tennessee the yeas and nays are demanded.

The yeas and nays were ordered, and the Chief Clerk proceeded to call the roll.

Mr. FERRIS (when his name was called). I have a pair with the Senator from Kansas [Mr. CURTIS]. I therefore withhold my vote.

Mr. FLETCHER (when his name was called). Making the same announcement as before as to my pair, I vote "nay."

Mr. HOWELL (when his name was called). I have a pair with the senior Senator from Kentucky [Mr. ERNST], and therefore withhold my vote. If I were at liberty to vote, I should vote "yea."

Mr. McNARY (when his name was called). I have a pair with the Senator from Maryland [Mr. BRUCE], and therefore can not vote. If at liberty to vote I should vote "yea," and if the Senator from Maryland were present he would vote "nay."

Mr. NEELY (when his name was called). On this question I am paired with the senior Senator from New York [Mr. WADSWORTH]. I am informed that if he were present he would vote "nay." If I were at liberty to vote, I should vote "yea."

Mr. PEPPER (when his name was called). I have a pair with the junior Senator from New Mexico [Mr. BRATTON]. Not knowing how he would vote, I withhold my vote. If at liberty to vote, I should vote "nay."

Mr. REED of Pennsylvania (when his name was called). Has the senior Senator from Delaware [Mr. BAYARD] voted?

The VICE PRESIDENT. He has not.

Mr. REED of Pennsylvania. I am informed that that Senator, with whom I am paired, would, if present, vote the same way that I am going to vote. Therefore I vote "nay."

The roll call was concluded.

Mr. BLEASE. I have a pair with the Senator from Missouri [Mr. WILLIAMS], and withhold my vote.

Mr. SACKETT. I desire to announce that my colleague, the senior Senator from Kentucky [Mr. ERNST] is unavoidably absent. If he were present, he would vote "nay."

Mr. NORRIS. I desire to announce the unavoidable absence of the Senator from Iowa [Mr. BROOKHART], who is paired with the junior Senator from Arkansas [Mr. CARAWAY].

I desire also to announce the unavoidable absence of the Senator from California [Mr. JOHNSON], who is paired with the senior Senator from Arkansas [Mr. ROBINSON].

Mr. JONES of Washington. I desire to announce the following general pairs:

The Senator from Connecticut [Mr. BINGHAM] with the Senator from Nevada [Mr. PITTMAN];

The Senator from Illinois [Mr. McKINLEY] with the Senator from Virginia [Mr. SWANSON]; and

The Senator from Colorado [Mr. MEANS] with the Senator from Texas [Mr. MAYFIELD].

I also desire to announce the unavoidable absence of the Senator from Minnesota [Mr. SCHALL].

I also desire to announce the unavoidable absence of the Senator from Kansas [Mr. CURTIS], on account of illness. He is paired with the Senator from Michigan [Mr. FERRIS].

The result was announced—yeas 13, nays 47, as follows:

YEAS—13

Ashurst	King	Reed, Mo.	Wheeler
Dill	Lenroot	Sheppard	
Harris	McKellar	Shipstead	
Jones, Wash.	McMaster	Tyson	

NAYS—47

Broussard	George	Moses	Shortridge
Butler	Gillett	Norbeck	Simmons
Cameron	Glass	Norris	Smith
Capper	Goff	Nye	Smoot
Copeland	Hale	Oddie	Stanfield
Cummins	Harreld	Overman	Trammell
Deneen	Harrison	Phipps	Walsh
Edge	Heflin	Pine	Warren
Edwards	Kendrick	Ransdell	Watson
Fess	La Follette	Reed, Pa.	Weller
Fletcher	McLean	Robinson, Ind.	Willis
Frazier	Metcalf	Sackett	

NOT VOTING—36

Bayard	Curtis	Howell	Pepper
Bingham	Dale	Johnson	Pittman
Blease	du Pont	Jones, N. Mex.	Robinson, Ark.
Borah	Ernst	Keyes	Schall
Bratton	Fernald	McKinley	Stephens
Brookhart	Ferris	McNary	Swanson
Bruce	Gerry	Mayfield	Underwood
Caraway	Gooding	Means	Wadsworth
Couzens	Greene	Neely	Williams

So Mr. McKELLAR's amendment to the amendment of the committee was rejected.

The VICE PRESIDENT. The question is on agreeing to the committee amendment.

The amendment of the committee was agreed to.

Mr. SMITH. Mr. President, I send to the desk two amendments that are necessary, in view of the amendment that I offered and that was adopted, making the limitation on the Government two years. These amendments are necessary to make the refund for two years, so as to correspond with the other.

Mr. REED of Pennsylvania. Mr. President, I hope these amendments will be adopted. They are merely companion amendments to the one on which the Senate voted on the motion of the Senator from South Carolina. They simply make the two limitations the same.

Mr. SMOOT. They are necessary to make it complete.

The VICE PRESIDENT. The amendments will be stated.

The CHIEF CLERK. On page 163, it is proposed to strike out lines 8 to 17, both inclusive, and to insert:

Except as provided in subdivisions (c), (d), (e), and (g) of this section—

(1) No such credit or refund shall be allowed or made after two years from the time the tax was paid in the case of a tax imposed by this act, nor after four years from the time the tax was paid in the case of a tax imposed by any prior act, unless before the expiration of such period a claim therefor is filed by the taxpayer; and

(2) The amount of the credit or refund shall not exceed the portion of the tax paid during the two or four years, respectively, immediately preceding the filing of the claim, or if no claim was filed, then during the two or four years, respectively, immediately preceding the allowance of the credit or refund.

And on page 165, line 22, it is proposed to strike out "paid" and to insert in lieu thereof:

paid, or, in the case of a tax imposed by this act, within two years after the tax was paid.

The amendments were agreed to.

Mr. REED of Pennsylvania. Mr. President, I send to the desk a formal amendment, which I ask to have stated.

The VICE PRESIDENT. The amendment will be stated.

The CHIEF CLERK. On page 325, line 3, after the word "annum," it is proposed to insert a comma and the following:

payable out of any appropriation available for the payment of expenses of assessing and collecting the internal-revenue taxes.

Mr. REED of Pennsylvania. Mr. President, the necessity for this amendment arises out of the decision of the Comptroller General, who has notified us that as the bill now stands there is no appropriation from which the salary of the general counsel can be paid. He suggests this amendment in order to make it clear that this is to be paid out of the appropriation for collecting the internal revenue.

The amendment was agreed to.

Mr. HARRISON. Mr. President, I offer an amendment, which I ask to have stated.

The VICE PRESIDENT. The amendment will be stated.

The CHIEF CLERK. Under the subhead "Schedule A.—Stamp taxes," on page 253, beginning with line 22, it is proposed to strike out through line 10 on page 254, in the following words:

2. Capital stock, issue: On each original issue, whether on organization or reorganization, of certificates of stock, or of profits, or of interest in property or accumulations, by any corporation, on each $100 of face value or fraction thereof, 5 cents: *Provided*, That where a certificate is issued without face value, the tax shall be 5 cents per share, unless the actual value is in excess of $100 per share, in which case the tax shall be 5 cents on each $100 of actual value or fraction thereof, or unless the actual value is less than $100 per share, in which case the tax shall be 1 cent on each $20 of actual value, or fraction thereof.

The stamps representing the tax imposed by this subdivision shall be attached to the stock books and not to the certificates issued.

Mr. HARRISON. Mr. President, some days ago we increased the corporation tax from 12½ per cent to 13½ per cent, thereby, upon the estimate of the Actuary of the Treasury, making it possible to derive something under $200,000,000 more next year than we have been receiving from the corporation tax.

This amendment proposes to strike out the stamp tax on capital-stock issues. We get about $10,000,000 a year from that item. This is only on the original capital-stock issue. I have not offered any amendment that will apply to transfers of stocks generally, but have confined the proposition to taking off the stamp tax on the original capital-stock issue. It seems

to me it is a nuisance tax; it ought to be repealed, and I hope the amendment will be adopted.

Mr. SMOOT. Mr. President, there are a number of these taxes that I should like to see repealed, but I do ask the Senate to make no more reductions. We can not stand taking $10,000,000 off these capital-stock issues. The tax is on the original issue, as the Senator says. On the transfers there are taxes of some twelve or fourteen million dollars more, but the Senator's amendment does not cover that. It is just the original issue; but we will lose at least $10,000,000, and I do not see how we can possibly spare it.

Mr. MOSES. Mr. President, may I say to the Senator from Utah that with the total revenue running to more than two billions of dollars, $10,000,000 is not a great proportion. May I ask him about the history of taxes of this kind? They have always been imposed in time of war and always have been taken off when peace returned; have they not?

Mr. SMOOT. Mr. President, I was rather struck with the statement made here to-day that the war is over. As far as finances go, the effects of the war are almost as bad as the war. We do not want now to begin to pay out more for the expense of maintaining the Government than we are collecting; and the war debt ought to be paid.

Mr. MOSES. The Senator entirely misinterpreted the debate this morning. It was not with reference to the finances of the war; it was with reference to the politics of the war; and the fact that the Senator from Washington [Mr. DILL] and the Senator from Virginia [Mr. SWANSON] differed as to the politics of the war has nothing to do with the financing of the war.

Mr. SMOOT. I hope the amendment will be rejected.

Mr. WILLIS. Mr. President, I desire to ask a question of the Senator from Utah. I understood the Senator from Mississippi a few moments ago to state that because of the change already made in the law touching the taxation of corporations, there had been an increase in the burden on corporations of $200,000,000 a year. Is that the fact?

Mr. SMOOT. Oh, no!

Mr. WILLIS. I so understood the Senator from Mississippi.

Mr. SMOOT. No; the Senator from Mississippi did not make that statement.

Mr. WILLIS. Perhaps I misunderstood the Senator. I understood him a moment ago to state that as a result of the abolishment of the capital-stock tax and the increase in the income tax of corporations, the burden on corporations had been increased $200,000,000.

Mr. HARRISON. The estimate of the Actuary of the Treasury, as I recall—I have not the figures here—was that as a result of the prosperity of corporations generally there would be derived from this source, upon a 12½ per cent tax, during the coming year, $120,000,000 more than was derived last year.

Mr. WILLIS. I understood the Senator to say $200,000,000.

Mr. HARRISON. One hundred and twenty million dollars more; and then the 1 per cent increase from 12½ per cent to 13½ per cent, of course, produces around $83,000,000.

Mr. SMOOT. Mr. President, I think the Senator got those figures somewhat mixed. It is not only the income of corporations, but the income from the bill itself, from personal incomes, all sorts of incomes of individuals and corporations, in which the actuary estimates that there is an increase of $118,000,000. We have that to take care of, and it is taken care of in the estimates already given.

Mr. HARRISON. May I ask the Senator from Utah how much the Government received last year from the corporation tax?

Mr. WILLIS. While the Senator from Utah is looking for that, I understood the Senator from Pennsylvania to make a statement that as a result of this bill the burdens of the corporations would be decreased $8,000,000. Did he or did he not make that statement?

Mr. REED of Pennsylvania. That is right. The repeal of the capital-stock tax will save the corporation about $8,000,000 more than the 1 per cent increase in their income taxes will cost them.

Mr. WILLIS. That is exactly what I understood the Senator to say.

Mr. SMOOT. The corporations get an advantage by this bill over what they have under existing law of only $8,000,000.

Mr. HARRISON. With the 1 per cent increase?

Mr. SMOOT. Yes.

Mr. HARRISON. The figures of the actuaries do not show that.

Mr. SMOOT. The 1 per cent increase less the capital-stock tax. This shows an advantage to the corporations of the country of only $8,000,000.

Mr. HARRISON. I will look back at the speech made by the Senator the other day and have some questions to ask, as soon as I can put my hand on it. It shows quite a different state of affairs from that.

Mr. SMOOT. I do not think there is any question about it at all. The Senator may have misunderstood me.

Mr. SMITH. I think I asked a question along that line the other day, and my understanding was that the difference between what the corporations would have to pay with the capital-stock tax removed and what they would have to pay with the increase of 1 per cent would be in favor of the corporations in the sum of $8,000,000.

Mr. SMOOT. Eight million dollars.

Mr. SMITH. I think that was a statement made to me the other day.

Mr. SMOOT. In other words, $86,000,000 and $94,000,000, the difference being $8,000,000, representing the advantage the corporations have under this bill if it is enacted into law.

Mr. KING. Mr. President, will my colleague yield?

Mr. SMOOT. I yield.

Mr. KING. I think the Senators who have been speaking on this matter have failed to take into account what I conceive to be an important factor in the equation, namely, if we are to judge from the newspapers, and from the enormous profits which are daily being reported by corporations, the 13½ per cent, or 12½ per cent, will yield a very large amount in excess of that which was collected for the preceding years. No one can deny the prosperity of the corporations. No one can deny the fact that their earnings for the next fiscal year, or for the present calendar year, will be greatly in excess of their earnings for the past calendar year or for the past fiscal year.

Mr. REED of Pennsylvania. Mr. President, nobody knows what they will be for the present calendar year. We started in the year 1907 with business looking just as it does now, and by the end of 1907 a lot of the corporations went into bankruptcy.

Mr. KING. I am assuming a continuance of present conditions, and if we are permitted to have any judgment with respect to industrial and economic conditions based upon past experience, and based upon present conditions, and based upon the determination—I do not say it by way of criticism—of the Republican Party to maintain these conditions in the face of an approaching election, not only for political purposes, but for economic reasons, I submit that no one can challenge successfully the statement that the earnings of the corporations for this fiscal year and this calendar year will be in excess of the earnings for the past fiscal year and the past calendar year.

Mr. MOSES. Mr. President, will the Senator permit me to interject?

Mr. KING. I always know when the Senator from New Hampshire wants to project something that a deadly missile is to be thrown; so I am ready to receive it.

Mr. MOSES. Not at all; but I want to congratulate the Senator for not criticizing the Republican Party for desiring to continue prosperity in the country.

Mr. KING. We will discuss that a little later, at an appropriate time, when we can analyze all the factors that are to be considered in connection with the question.

It does seem to me that the position of the Senator from Mississippi is correct, and that we may anticipate a revenue greater than that which my colleague has indicated, and greater than that which has been indicated by the Secretary of the Treasury in his annual report, and in the statement which he made before the Ways and Means Committee, which was a very clear statement, may I say.

Then there is another thing which I submit should be taken into consideration when we are talking about balancing the Budget. I submit that the Budget which has been presented to us by the President of the United States contains recommendations for appropriations in excess of the valid and legitimate needs of the Government, and if Congress shall pare them down as it should, and shall project a proper policy of economy, we can save from a hundred to two hundred million dollars, and reduce the expenses below those which have been estimated by the Budget.

So we can safely reduce the pending bill by $400,000,000 without at all impairing the credit of the country or impinging upon the proposition that the Budget must be balanced. It will be balanced with a diminution in the revenue of $400,000,000 below that which was derived by the Government during the past fiscal year.

Mr. SIMMONS. Mr. President, may I ask the Senator from Utah a question? In the statement he made a little while ago of the revenue derived from corporations was he referring to the revenue derived upon the basis of the 1924 report?

Mr. SMOOT. Actual receipts for 1925.

Mr. SIMMONS. The actual receipts for 1925?

Mr. SMOOT. Yes. I will give the figures to the Senator as I gave them the other day. The actual receipts from individuals and corporations for 1925 are $1,761,659,049.51. The estimates for 1926 under the existing law are $1,880,000,000. That shows a difference of $118,340,951. That applies to the present law. The estimate of receipts under the bill as it passed the House was $1,685,425,000. That shows a loss of $76,234,000, according to an estimate of the receipts under the bill as it passed the House as compared with the actual receipts for 1925.

Mr. SIMMONS. What is the estimate of the receipts under the Senate committee bill as to the corporations?

Mr. SMOOT. A difference of just $8,000,000.

Mr. HARRISON. Let me see if I understand the Senator. What was the amount we received in 1925 from the corporation taxes?

Mr. SMOOT. The estimate of the income from corporations for 1925 is $860,000,000.

Mr. HARRISON. What is the estimate for 1926?

Mr. SMOOT. That is for the business year of 1926. I have the income generally for individuals and corporations for 1925.

Mr. HARRISON. I want the figures on corporations. I can understand it better when I get just those figures. I refer now to a colloquy which ensued when this matter was up before. I said:

> There is a difference between $916,000,000 and $1,040,000,000 this year of $124,000,000. In other words, if we eliminate the capital-stock tax and keep 12½ per cent corporation tax as it is to-day, we eliminate the increased profits tax on corporations in the country during the last year, and we will still have $124,000,000 excess, or approximately that.

Those were the figures. Following that the Senator took issue with me in some respects, and this is what transpired:

> Mr. HARRISON. I can say to the Senator from Minnesota that in my opinion Mr. McCoy is about the most efficient man in the whole Government service.
>
> Mr. McCoy said further that while we will have $124,000,000 eliminated by the proposition which the Senator from Utah wants to bring in, yet, if we increase the corporation tax from 12½ per cent to 13½ per cent, we will have $85,000,000 more.
>
> Mr. SMOOT. It would be $86,000,000 instead of $85,000,000.
>
> Mr. HARRISON. In other words, we will have $124,000,000 and $86,000,000, or $210,000,000 increase by this corporation tax, and we are eliminating $93,000,000 of capital-stock tax.
>
> Mr. SMOOT. And we are reducing altogether by $350,000,000.

In other words, what I stated there was accepted as true, and the Senator then asserted the other.

Mr. SMOOT. If the Senator will go further, he will find that I called attention to the figures which I have just quoted. The estimate under this bill is $1,685,425,000 for all incomes. The estimate under the present law was $1,880,000,000.

Mr. HARRISON. The Senator is talking about personal incomes and every other kind of income, and I am trying to keep the discussion on corporations.

Mr. SMOOT. It is $8,000,000; that is all.

Mr. HARRISON. So the Senator contends that notwithstanding the apparent prosperity among the corporations, say, after the elimination of the capital-stock tax and the increase of the corporation tax from 12½ to 13½ per cent, we will receive only $8,000,000 more the coming year than we received last year?

Mr. SMOOT. That is my opinion, and I do not think that is apparent prosperity either.

Mr. HARRISON. Is that based on the figures of Mr. McCoy?

Mr. SMOOT. Yes; the figures of Mr. McCoy. I have no doubt about it, and if Mr. McCoy is here the Senator can go and ask him about it.

Mr. HARRISON. By the elimination of the capital-stock tax——

Mr. SMOOT. Did I say $8,000,000 more?

Mr. HARRISON. Yes; $8,000,000 more.

Mr. SMOOT. There will be a saving to the corporations of $8,000,000, taking the $1 a thousand off and then adding the 1 per cent on the profits. In the transfer there is an advantage to the corporations of $8,000,000.

Mr. SHEPPARD. And a corresponding loss to the Government.

Mr. SMOOT. Taking off the $1 a thousand on the capital stock of corporations, leaves $93,000,000, or in round figures $94,000,000, and in round figures the 1 per cent increase on $840,000,000, as the Senator can see, is $84,000,000. That is to be increased to $86,000,000; and taking that from the $94,00,000, makes the $8,000,000 difference.

Mr. HARRISON. The Senator is evidently taking into consideration what has transpired in the past, without respect to the present condition among corporations.

Mr. SMOOT. No; I am taking into consideration the estimate for 1926 given to us by Mr. McCoy.

Mr. HARRISON. I submit that this stamp tax, which is a war tax, as stated by the distinguished Senator from New Hampshire, should be repealed. It amounts to something between $8,000,000 and $10,000,000, and I have made it apply to the original issues and not to promiscuous issues.

Mr. CAMERON. Mr. President, I do not think the amendment of the Senator from Mississippi goes far enough. I think it should go far enough to include the smaller mining companies, and I shall offer an amendment to effect that.

Mr. SIMMONS. Mr. President, I want to say just a word. I agree with the Senator from Mississippi that the income we will get from corporations, based on this year's earnings, will be from 15 to 20 per cent more than we received last year. That will amount to a very considerable increase in the revenues of the Government. We ought to take that into consideration in connection with any proposition to reduce the tax on corporations.

In the revenue bill now pending and in every revenue bill that we have passed since the war corporations have had a raw deal. The tax which we imposed upon them during the war was an exceedingly high tax. It was a tax that nobody had ever conceived of before that emergency arose. It was 12½ per cent plus a tax upon their capital stock, which made it a tax of over 13 per cent upon the corporate earnings. Besides that, of course, at one time they had the excess-profits tax; but we repealed that as to corporations and we repealed it also as to individuals. That is the only relief the corporations have ever had, but the individuals participated in the same relief.

When we come to the era of reductions it was supposed that in those reductions every class of taxpayers would be given some consideration; that we would not reduce the taxes upon one class and fail to reduce them upon another class. But so far as corporations are concerned, we have never given them any consideration at all. The only two things in the whole scheme of revenue taxation that we have not given relief are the corporations and the tobacco people. Those taxes remain practically as they were when we began the general scheme of tax reduction.

In view of the fact that corporation earnings this year are likely to be 15 or 20 per cent more than they were in 1925, in view of the fact that we have not given them any reduction in the bill, or, if any, only $8,000,000, according to the Senator from Utah [Mr. SMOOT], it seems to me that we might, as an act of charity or mercy, if nothing else, relieve them of this little $10,000,000 of tax upon their capital issue.

Mr. SMOOT. I desire to say that the actuary has taken all of those things into consideration with reference to the increase in business, and it is just simply questioning the wisdom of the actuary to do otherwise.

Mr. TRAMMELL. Mr. President, will the Senator yield for a question as a matter of information?

Mr. SMOOT. Certainly.

Mr. TRAMMELL. Does the bill remove the revenue-stamp provision, which requires stamps to be placed upon deeds and documents of that character?

Mr. SMOOT. I think that provision went out. It was taken out in the House.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Mississippi [Mr. HARRISON].

Mr. HARRISON. I ask for the yeas and nays.

The yeas and nays were ordered, and the Chief Clerk proceeded to call the roll.

Mr. FERRIS (when his name was called). Making the same announcement as before, I withhold my vote.

Mr. FLETCHER (when his name was called). Making the same announcement as on the previous roll call, I withhold my vote.

Mr. HOWELL (when his name was called). I have a pair on this question with the senior Senator from Kentucky [Mr. ERNST]. That Senator is absent, and I therefore withhold my vote.

Mr. McNARY (when his name was called). Announcing my pair as before, I withhold my vote.

Mr. NEELY (when his name was called). On this question, I am paired with the senior Senator from New York [Mr. WADSWORTH]. If he were present, I understand he would vote "nay." If I were at liberty to vote, I would vote "yea."

Mr. REED of Pennsylvania (when his name was called). I have a general pair with the senior Senator from Delaware

[Mr. DU PONT]. I transfer that pair to the junior Senator from Idaho [Mr. GOODING] and vote "nay."

The roll call was concluded.

Mr. PEPPER. On this question I have a pair with the junior Senator from New Mexico [Mr. BRATTON]. I transfer that pair to the junior Senator from Minnesota [Mr. SCHALL] and vote "nay."

Mr. BLEASE. I transfer my pair with the junior Senator from Missouri [Mr. WILLIAMS] to the junior Senator from Mississippi [Mr. STEPHENS] and vote "yea."

Mr. NORRIS. I desire to announce that both the Senator from Iowa [Mr. BROOKHART] and the Senator from California [Mr. JOHNSON] are unavoidably absent. The Senator from Iowa [Mr. BROOKHART] is paired with the junior Senator from Arkansas [Mr. CARAWAY]. The Senator from California [Mr. [JOHNSON] is paired with the senior Senator from Arkansas [Mr. ROBINSON].

Mr. JONES of Washington. I wish to announce that the senior Senator from Kansas [Mr. CURTIS] is necessarily absent on account of illness. He is paired with the junior Senator from Michigan [Mr. FERRIS].

I also wish to announce that the junior Senator from Minnesota [Mr. SCHALL] is absent on account of illness.

I desire to announce the following general pairs:

The Senator from Maine [Mr. FERNALD] with the Senator from New Mexico [Mr. JONES];

The Senator from Colorado [Mr. MEANS] with the Senator from Texas [Mr. MAYFIELD];

The Senator from Connecticut [Mr. BINGHAM] with the Senator from Nevada [Mr. PITTMAN]; and

The Senator from Illinois [Mr. MCKINLEY] with the Senator from Virginia [Mr. SWANSON].

The result was announced—yeas 31, nays 32, as follows:

YEAS—31

Ashurst	George	McKellar	Ransdell
Blease	Gerry	McMaster	Shipstead
Broussard	Harris	Moses	Simmons
Cameron	Harrison	Norbeck	Smith
Copeland	Heflin	Norris	Tyson
Dill	King	Nye	Walsh
Edwards	La Follette	Oddie	Wheeler
Frazier	Lenroot	Overman	

NAYS—32

Butler	Glass	Metcalf	Sheppard
Capper	Goff	Pepper	Shortridge
Couzens	Hale	Phipps	Smoot
Cummins	Harreld	Pine	Trammell
Deneen	Jones, Wash.	Reed, Mo.	Warren
Edge	Kendrick	Reed, Pa	Watson
Fess	Keyes	Robinson, Ind.	Weller
Gillett	McLean	Sackett	Willis

NOT VOTING—33

Bayard	du Pont	Jones, N. Mex.	Stanfield
Bingham	Ernst	McKinley	Stephens
Borah	Fernald	McNary	Swanson
Bratton	Ferris	Mayfield	Underwood
Brookhart	Fletcher	Means	Wadsworth
Bruce	Gooding	Neely	Williams
Caraway	Greene	Pittman	
Curtis	Howell	Robinson, Ark.	
Dale	Johnson	Schall	

So Mr. HARRISON's amendment was rejected.

Mr. SHIPSTEAD. I send to the desk an amendment which I ask may be read.

The VICE PRESIDENT. The amendment will be read.

The CHIEF CLERK. Insert at the proper place in the bill the following:

Provided, however, That the homestead of an individual shall be exempt from distraint and sale for internal-revenue taxes heretofore or hereafter assessed to the same extent that such homestead is exempt under the laws of the State where the same is situated.

SEC. 2. That the personal property of an individual exempt from sale under execution under a State law shall also be exempt from distraint and sale for internal-revenue taxes heretofore or hereafter assessed; the place of residence of the taxpayer at the time of assessment shall determine the State law under which such exemption may be claimed.

On page 272, line 16, strike out the words, "without change."

Mr. SMOOT. Is the Senator going to explain the amendment?

Mr. SHIPSTEAD. Yes. I send to the desk a letter which I ask to have read, and which I think will explain the amendment satisfactorily to the Senate.

The VICE PRESIDENT. The Secretary will read as requested.

The Chief Clerk read as follows:

DULUTH, MINN., *December 27, 1923.*

Hon. HENRIK SHIPSTEAD,
United States Senate, Washington, D. C.

MY DEAR MR. SHIPSTEAD: The Income Tax Department has ruled that the rights of a delinquent taxpayer in homestead property are subject to distraint and sale to satisfy Federal income taxes. You will find this ruling on page 172 of the Internal Revenue Bulletin II–1.

It is certainly unjust to the small-tax payer, who ca_ not afford to fight through the Federal courts to test the above rule, to lose his homestead because he made a mistake in an income-tax return and has not sufficient money to make good.

I have such a case before me, and my client is in danger of losing his homestead because in his 1918 return he made an error and has since lost his money, so that he can not pay the additional tax found to be due. You doubtless see the injustice of such a ruling.

I have written similar letters to Senator JOHNSON and Congressman LARSEN.

With kindest regards, I remain,

Very truly, yours,

J. J. ROBINSON.

Mr. SHIPSTEAD. Mr. President, the Senator from North Carolina [Mr. SIMMONS], before we voted on the last amendment, made a plea for mercy to the corporations. This is an attempt to take care of an individual or individuals who have no income at all. It is to protect a man's homestead from being confiscated for a debt to the Government. The amendment provides that the Federal Government shall exempt his homestead from debt in the same amount that the State law, wherever the individual may reside, exempts his home from being confiscated for debt.

Mr. KING. Mr. President, will the Senator from Minnesota permit an inquiry?

Mr SHIPSTEAD. Yes.

Mr. KING. Does the State law of Minnesota exempt the homestead of any person from levies to pay the taxes imposed by the State of Minnesota? Is not the homestead liable for sale to pay taxes against it?

Mr. SHIPSTEAD. Yes; for a direct tax against the property; but the State of Minnesota does not permit the levying of an attachment upon a homestead for any other kind of a debt.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Minnesota.

Mr. SHIPSTEAD. I ask for the yeas and nays.

The yeas and nays were ordered, and the Chief Clerk proceeded to call the roll.

Mr. FERRIS (when his name was called). I have a pair with the Senator from Kansas [Mr. CURTIS] and therefore withhold my vote.

Mr. FLETCHER (when his name was called). Making the same announcement as to my pair as before, I withhold my vote.

Mr. HOWELL (when his name was called). I have a pair with the senior Senator from Kentucky [Mr. ERNST] and therefore withhold my vote. If I were allowed to vote, I should vote "yea."

Mr. MCLEAN (when his name was called). I have a pair with the junior Senator from Virginia [Mr. GLASS]. In his absence, I withhold my vote.

While on my feet, I desire to announce that my colleague, the junior Senator from Connecticut [Mr. BINGHAM], is unavoidably detained from the Chamber. I desire that this announcement shall stand for the day.

Mr. PEPPER (when his name was called). Making the same announcement as before with respect to my pair and its transfer, I vote "nay."

Mr. REED of Pennsylvania (when his name was called). Making the same announcement as before relative to my pair and its transfer, I vote "nay."

The roll call was concluded.

Mr. JONES of Washington. I desire to announce the following pairs:

The junior Senator from Iowa [Mr. BROOKHART] with the junior Senator from Arkansas [Mr. CARAWAY];

The senior Senator from California [Mr. JOHNSON] with the senior Senator from Arkansas [Mr. ROBINSON];

The senior Senator from New York [Mr. WADSWORTH] with the Senator from West Virginia [Mr. NEELY];

The Senator from Maine [Mr. FERNALD] with the Senator from New Mexico [Mr. JONES];

The Senator from Colorado [Mr. MEANS] with the Senator from Texas [Mr. MAYFIELD];

The Senator from Connecticut [Mr. BINGHAM] with the Senator from Nevada [Mr. PITTMAN]; and

The Senator from Illinois [Mr. MCKINLEY] with the Senator from Virginia [Mr. SWANSON].

I also desire to announce that the senior Senator from Kansas [Mr. CURTIS] and the junior Senator from Minnesota [Mr. SCHALL] are detained from the Senate on account of illness.

Mr. SIMMONS (after having voted in the negative). I have a general pair with the Senator from Oklahoma [Mr. HARRELD], who is absent. I transfer that pair to the Senator from Alabama [Mr. UNDERWOOD], and will let my vote stand.

Mr. BLEASE. I have a general pair with the Senator from Missouri [Mr. WILLIAMS]. I understand that if present he would vote the same as I intend to vote on this question, and so I am at liberty to vote. I vote "yea."

The result was announced—yeas 24, nays 28, as follows:

YEAS—24

Ashurst	Couzens	La Follette	Overman
Blease	Edwards	McKellar	Sheppard
Broussard	Frazier	McMaster	Shipstead
Cameron	Gerry	Norbeck	Walsh
Capper	Harris	Norris	Weller
Copeland	Jones, Wash.	Nye	Wheeler

NAYS—28

Butler	Keyes	Pine	Smith
Deneen	King	Ransdell	Smoot
Edge	Metcalf	Reed, Pa.	Trammell
Fess	Moses	Robinson, Ind.	Tyson
Gillett	Oddie	Sackett	Warren
Goff	Pepper	Shortridge	Watson
Hale	Phipps	Simmons	Willis

NOT VOTING—44

Bayard	du Pont	Heflin	Neely
Bingham	Ernst	Howell	Pittman
Borah	Fernald	Johnson	Reed, Mo.
Bratton	Ferris	Jones, N. Mex.	Robinson, Ark.
Brookhart	Fletcher	Kendrick	Schall
Bruce	George	Lenroot	Stanfield
Caraway	Glass	McKinley	Stephens
Cummins	Gooding	McLean	Swanson
Curtis	Greene	McNary	Underwood
Dale	Harreld	Mayfield	Wadsworth
Dill	Harrison	Means	Williams

So Mr. SHIPSTEAD'S amendment was rejected.

Mr. NORRIS. Mr. President, the other day in discussing a motion which was then pending before the Senate, I read several extracts from an affidavit by Mr. Hickey, an attorney here in Washington. In the affidavit was a statement in regard to Mr. Meekins being an attorney for the Alien Property Custodian and at the same time an attorney for a chemical company. In the letter which I am going to ask the Secretary to read the statement is made that I made the statement. Of course, I claim no knowledge of it. I read from the affidavit. I have a letter from Judge Meekins which is self-explanatory, and which, in fairness to him, I desire to have read at the desk.

The VICE PRESIDENT. The Secretary will read as requested.

The Chief Clerk read as follows:

WASHINGTON, D. C., *February 12, 1926.*

Hon. GEORGE W. NORRIS,
United States Senate, Washington, D. C.

MY DEAR SENATOR NORRIS: I am passing through Washington on my way home from New York, where I have been holding the Federal court there. My attention has been called to your speech in the Senate on Monday, February 8, 1926, in which you were under the impression—and so stated on the floor of the Senate—that while I was general counsel of the Alien Property Custodian I accepted employment from clients who had tax matters pending before the Bureau of Internal Revenue, and that therefore I was practicing before the departments while an officer of the Government. This is in substance your remarks on the occasion mentioned.

I can not fail to believe that you are fair and would not wish to intentionally do anyone an injustice. Your remarks on the occasion mentioned have formed the basis of a very scathing editorial in one of the North Carolina papers concerning me, and, being United States judge of the eastern district of North Carolina, it does not appear to me to be seemly to engage in a newspaper controversy, and I therefore appeal to you with the request that you read this letter into the RECORD of the Senate.

I was not general counsel of the Alien Property Custodian at the time I represented the taxpayer before the Bureau of Internal Revenue. I qualified as general counsel of the Alien Property Custodian in April, 1921, and resigned my position on December 31, 1921—and my resignation is on file at the department—serving some eight or nine months. After I resigned I went to New York, and some time after I had been in New York I was employed by the firm of Gifford, Hobbs & Beard, attorneys at law, 60 Broadway, and Lawrence A. Baker, attorney at law, Washington, D. C., to appear with them in the Roessler & Hasslacher Chemical Co. (New York) tax matter of a consolidated return filed by that company with the Bureau of Internal Revenue.

You will see, therefore, that the statement that I was general counsel of the Alien Property Custodian at the time I had the private employment is a mistake.

I shall very greatly appreciate it if you will read this letter into the RECORD.

With high consideration and best wishes, I am,

Sincerely yours,

I. M. MEEKINS,
United States District Judge,
Eastern District of North Carolina.

Mr. NORRIS obtained the floor.

Mr. SIMMONS. Mr. President——

The PRESIDENT pro tempore. Does the Senator from Nebraska yield to the Senator from North Carolina?

Mr. NORRIS. I do.

Mr. SIMMONS. I was not in the Chamber last Monday when the Senator from Nebraska read the article referred to in Judge Meekins's letter. I differ in politics from Judge Meekins, but he has been a prominent man both in his profession and as a political leader in my State for many years. He is an able and gifted man. In 1924 he was the candidate of the Republican Party for Governor of North Carolina. He made an extensive campaign throughout the State. I have never heard, in connection with his political career or his professional career, anything that was derogatory to his character. He has always maintained in North Carolina a very high character. When his nomination was presented to the Senate I heartily acquiesced in his confirmation. Since he has been upon the United States district bench in North Carolina my information, gathered from various members of the bar with whom I have talked, not only those of his own party but also those of the opposing political party, is that Judge Meekins has given very great satisfaction as a judge.

I desired at this time to say this in his behalf.

Mr. OVERMAN subsequently said: Mr. President, for fear that my silence might be misunderstood, I desire to say that I indorse in the main what my colleague [Mr. SIMMONS] said in regard to Judge Meekins. I desire to say that Judge Meekins's name was before the Committee on the Judiciary, of which I am a member, and rarely have there been more and better indorsements made of any man, both by Republicans and Democrats, and especially by the lawyers of North Carolina. The committee reported favorably on his nomination, and I voted cheerfully for his confirmation. There was no objection and no protest at all filed against him. I am glad to say this in his behalf.

Mr. NORRIS. Mr. President, I was very glad to yield to the Senator from North Carolina [Mr. SIMMONS] for the purpose of making this statement. As I stated before, I had no personal knowledge of the matter, but read the affidavit of a former employee of the bureau. I judge from Judge Meekins's letter that Mr. Hickey, who made the affidavit, was mistaken as to the dates, and it perhaps resulted in an injustice to Judge Meekins. I assure the Senate that if an injustice has been done I am very glad, indeed, to rectify it by giving as full publicity as I can to the letter.

Now, Mr. President, I send to the desk an amendment, which I ask to have read. I desire briefly to explain it, and then I shall be ready to have a vote taken.

The PRESIDENT pro tempore. The amendment will be stated.

The CHIEF CLERK. On page 302, line 24, after the word "return," it is proposed to strike out the semicolon and to add:

except in protesting to Congress against violations of law or established departmental procedure.

Mr. NORRIS. Mr. President, if Senators will give me their attention, I can very easily explain the real purpose of this amendment.

It amends the bill where it makes it unlawful for anyone connected with the department to give out any information with regard to these returns. It therefore amends the law providing for secrecy, and makes an exception, as the amendment just read clearly shows, and gives to any employee of the bureau the right to make a protest to Members of Congress. That is the substance of it.

Personally, I have, as all Senators know, favored full publicity of income-tax returns; and we debated that matter for several days. The amendment I offered was defeated, and secrecy remains, and the law provides a penalty for any employee who gives out information. He is not allowed even to give information to Members of Congress, or to make a protest if he thinks a protest ought to be made.

I wish to say to the Senate that this amendment was not prepared by me. It was prepared by employees of the Internal Revenue Bureau, and was sent to me with a request that I offer it as an amendment. Men employed there have become so much interested in the matter, and have been so

much attracted by the debate that is going on here, that they felt it their duty to send up this memorandum and see whether Congress would not approve it, thus giving them the right to speak.

Their lips at present are closed. No one realizes that more fully than I have when I have been trying to talk with them and get evidence. I have talked with some of them, but with the exception of one I have not been able to find anyone who is willing that his name should be used; and I did not want to use information that did not come from a source where I could use the name. With the exception of the affidavit of Mr. Hickey, I have not used names; but I have been told various things, sometimes directly and sometimes by word that has been sent to me, of secret transactions that are going on, the nature of which is something like what has been disclosed by the so-called Couzens committee in their investigations.

I know one man, for instance, who is now out of the service and is practicing before the Internal Revenue Bureau, who has made definite statements of his own experience, and who probably would tell anyone confidentially now what he thinks. He is out of the service, and left principally for the reason that he could not stand being there and keeping his mouth closed as to what was going on around him; but he is practicing before that department. He would be unwilling to testify, and was unwilling that I should use his name, or quote any statement that he had made.

Mr. President, even though the Senate has decided by quite a large majority that we are going to maintain secrecy there, I can not see why we should carry it so far that employees of that bureau, even though they should see all kinds of irregularities going on, can not even come and tell a Member of the Senate of the United States without subjecting themselves to criminal prosecution.

It seems to me that this amendment ought to be agreed to.

Mr. REED of Pennsylvania. Mr. President, I simply desire to call the attention of the Senate to the fact that the joint congressional committee which has already been authorized by the action of the Senate in approving the provisions on page 330 has power to investigate any and every return, to go into every audit and paper in the bureau, to question any employee, to get any information it pleases; and that joint congressional committee is required to be constituted of Senators and Representatives of different parties. It will have all the power that the so-called Couzens committee had, and if it does not do its duty the Senate or the House of Representatives can call it to account; and if it does do its duty, there is no necessity for the amendment now proposed.

Mr. COUZENS. Mr. President, I should like to ask the Senator, before he takes his seat, if he construes section 1203 as giving authority to any employee to report to members of that committee these cases to which the Senator from Nebraska refers?

Mr. REED of Pennsylvania. I should suppose there was no doubt but that any employee could go to any member of that committee and say, "There is an irregularity in such a case for such a year." That committee would promptly send for the whole record, or, better than that, send its own officers and inspectors into the bureau.

Mr. COUZENS. Would the Senator be willing to amend section 1203 so as to give the employees permission to report to this committee?

Mr. REED of Pennsylvania. I do not think it is necessary.

Mr. COUZENS. I thought perhaps that would satisfy the Senator from Nebraska and obviate the necessity of offering the amendment to which he refers.

Mr. REED of Pennsylvania. What we want to get away from, of course, is the idea that all the employees of the bureau can come up here in secrecy and tell tales to us, any committee of us, and work out their spite against their superiors. We all know how much danger there is of that. We all know how employees from every department of the Government try to get even by running up here to the Senate. A lot of the cards that come in to us from the lobby come from just such people, and we are on our guard against them. Somehow the case seems worse when a fraud on the Government is hinted at, and we go after it with redoubled fervor.

We do not want to start a system of talebearing that will merely work out private grudges. We have given the committee ample power. It is clearly within any employee's right to say, "There is an irregularity in such and such a case." It ought not to be within his right to come up here and pour out all the secrets of his bureau merely because the man to whom he is talking is a member of the committee.

Mr. COUZENS. Mr. President, if section 1203 permitted these employees to report these cases to the committee—I do not care whether it is reduced to writing or not; I think perhaps that is better—that would cover the matter. One of the difficulties we experienced was that the employees, under the penalties referred to by the Senator from Nebraska, were afraid; and it would have been a very much easier matter for us to have proceeded, we could have saved many thousands of dollars, and we would have made better progress and would have done a better job if the employees had felt free to report these cases to us. Our experience was that some of them did, and some of them were punished by being discharged; others gave us anonymous notes; others stopped our employees in the hall and whispered in their ears; others dropped notes on the desks of our staff which enabled us to have a clue as to where to go for our information.

I do not like that sort of thing. It seems to me that a provision could be written into section 1203 to cover the very point the Senator from Nebraska makes, that any employee within the department has a right in writing to serve notice on this committee of what constitutes or what he thinks to be an irregularity. It seems to me that would simplify the matter, and it would stop all that the Senator from Pennsylvania is talking about, with which I am in entire sympathy, and yet would not block the committee in getting things that it really ought to have.

Mr. NORRIS. Mr. President, the Senator from Pennsylvania says that the committee provided for in the bill now pending before us, the joint committee of Senators and Representatives, will be sufficient to correct any evils of this kind that may have existed in the past. Of course, all of the evils that I am trying to correct are the evils of secrecy, the evils of secret government. No matter what may be going on it is the duty of every employee to keep still, and he violates the law and becomes a criminal when he tells about it.

It is true that in this bill provision is made for a standing committee. As a matter of fact it will be composed of men who are, I think, entirely without exception opposed to publicity of any of the doings down there in the bureau. This bill provides that where they get any information of any kind, or consider anything, it must be considered in executive session. In other words, the committee itself is shrouded with a cloak of secrecy as to all the investigations it may make, and will not be allowed to disclose what it finds, no matter what it may be. So the secrecy is still there; and, knowing that the members of the committee are opposed to publicity of anything that is going on down there in the bureau, I doubt very much whether an employee would feel inclined to go to that kind of a committee and open his heart and tell it something that he claims to be wrong, irregular, or even criminal. He would rather go to his Senator or his Representative, with whom he was perhaps personally acquainted, or with whom he could talk confidentially without being frightened and without any fear of losing his position if this amendment should be agreed to. He would not be in that situation if it should not be agreed to.

I sympathize with what the Senator from Pennsylvania has said, that we would open ourselves to being discommoded sometimes by some one having a personal grudge to injure somebody else—his superior, the Senator says. That is true of every other department, every other bureau of the Government now, and often that occurs. A Senator soon finds out, when he has had any experience, when he is dealing with that kind of a case. Before he talks five minutes, before he talks two minutes with some one coming and making a complaint, he has a pretty good idea, practically at once, whether the person is moved by some motive of spite or grudge, or whether he has a real complaint.

That does annoy us sometimes, and yet are we willing to clothe the balance of the Government in secrecy, in order to prevent Senators from occasionally being annoyed by some one who has a personal grudge? I do not know how to let the real, patriotic employee, who desires to disclose something wrong in a bureau to a Member of the legislative body, do it, unless we may permit also the man who may have a grudge. It is an annoyance that comes to us from our office. If we think it is too great, there will be no difficulty, if we resign and go home, in finding somebody willing to take our places and bear that burden. It is an inconvenience sometimes, but I do not know of any way to avoid it, and why should we make an exception? Why should we say that shall apply to the War Department, to the Post Office Department, to all other bureaus, but shall not apply to the Bureau of Internal Revenue? It will not be any worse in one place than in another, and if we are going to keep such things secret in the Bureau of Internal Revenue, and make it criminal for anyone to come to a Member of the Senate and tell him of something wrong there, then, if we are consistent, we will extend that cloak of

secrecy to take in the entire Government service, so that any employee, when he sees a Senator, will have to get on the other side of the street for fear it might be said he was trying to tell the Senator something wrong, and therefore lay himself open, not only to punishment for committing a criminal act, but run a chance of losing his position.

I am just as anxious as everybody to hurry this along, and I shall not call for a yea-and-nay vote, but I want a division. If Senators are ready, I am willing, if nobody else cares to have a yea-and-nay vote, to have a division on this.

Mr. SIMMONS. Mr. President, does the Senator think his exception here would permit a man to have interviews with Members of Congress, or does he think it would be confined to petitions to Congress? It reads, "Except in protesting to Congress against violations of law." Would that apply when a man files a petition in the nature of a protest, or would it mean that he might go and single out a Congressman and tell him about the violation in private?

Mr. NORRIS. The suggestion is just made to me that probably it ought to be amended so that it would read like this:

Except in protesting to Members of Congress.

While I did not draw this, I have talked with those who did.

The PRESIDENT pro tempore. Is the Senator seeking to modify his amendment?

Mr. NORRIS. In just a moment. My idea in using the word "protest" was to get away from the very idea which the Senator from Pennsylvania has proposed. I will modify it so that it will read "protesting to Congress or Members of Congress."

Mr. EDGE. Let the amendment be stated as modified.

The PRESIDENT pro tempore. The amendment will be reported by the clerk for the information of the Senate.

The CHIEF CLERK. On page 302, line 24, after the word "return," insert "except protesting to Congress or to Members of Congress against violations of law or established departmental procedure."

The PRESIDENT pro tempore. The question is upon agreeing to the amendment proposed by the Senator from Nebraska as modified, and on this question a division has been asked.

On a division, the amendment was rejected.

Mr. CAMERON. Mr. President, I offer the following amendment.

The PRESIDENT pro tempore. The clerk will report the amendment.

The CHIEF CLERK. On page 254, beginning with line 11, to strike out down through line 8, on page 256; in other words, on page 254, under the subtitle "capital stock," strike out lines 11 to 25, both inclusive, all of page 255, and down to and including line 8 on page 256.

Mr. CAMERON. Mr. President, small mine operators in the western metal-mining States have found the stamp tax to be unjust and oppressive, particularly in the case of small companies organized for the purpose of securing capital for pioneer development and the creation of new enterprises out of promising prospects. As the result of the discussions concerning this matter at the twenty-seventh annual convention of the American Mining Congress, held at Sacramento, Calif., September 29 to October 4, 1924, the following resolution, urging repeal of this tax, was approved by the fourth annual conference on mine taxation and unanimously adopted by the delegates assembled in the convention:

Whereas the stamp tax on stock of any par value is now computed on such par value, and is therefore the same on the speculative shares of a development company as on the shares of the richest corporation whose surplus may be several times its capital, while as to no par value shares the stamp tax is computed on the actual value, but is so adjusted as to be grossly unfair and oppressive on no par value shares of small actual value which in some cases are thus taxed one hundred times as much for transfer as par value shares worth many times their par value; and

Whereas the stamp tax is a special tribute exacted from stockholders of corporations, justified only by the existence at the time of similar taxes, which were repealed at the last session of Congress, and the stamp tax should also be repealed: It is therefore

Resolved, That the law fixing a stamp tax on stock certificates should be immediately repealed.

The foregoing resolution clearly defines the issue. It is becoming more and more difficult for the small prospector and mine owner to obtain capital with which to carry on the exploration and development work that in the past has been responsible for the growth and maintenance of the several branches of the American mining industry. The opportunities for obtaining capital with which to pioneer in an undeveloped or unproven area through the usual methods and channels of finance are necessarily limited, and only by securing needed capital in small amounts from persons who were willing to speculate has it been possible for the pioneers of the mining industry to create independent enterprises and avoid bowing to monopoly.

The manner in which small mining enterprises are in effect penalized by the stamp tax is ably illustrated in the following statement of Mr. M. D. Leehey, of Seattle, Wash., made at the twenty-seventh annual convention of the American Mining Congress. He said:

The stamp tax on stock certificates is still in force, although it has been repealed as to bank drafts, notes, telegrams, beverages, etc. And that stamp tax is just the same on the speculative par value shares of the small mining company as on shares of the richest bank in America. I now refer to shares having par value, but the stamp tax is still more oppressive on no-par value shares under the ruling of the Internal Revenue Bureau. That ruling makes the issuance tax on no-par value shares of the actual value of $1 just twenty times as much, and the transfer tax just one hundred times as much as on the par value shares of the Ford Motor Co. or the United States Steel Corporation. For instance, the stamp tax on an issue of 100,000 shares of the par value of $100,000 is $50, regardless of the actual value which may be a million, while that tax on an issue of 100,000 no-par value shares of the actual value of $100,000 is $1,000. The stamp tax on the transfer of that same $100,000 par-value shares is $20, and on 100,000 no-par value shares of the actual value of $1 each, as represented by the selling price, it is $2,000, or one hundred times larger.

We all know that a development company must issue small shares, because it must attract capital on the hope of an increased value in its shares after a few years, rather than the promise of prompt dividends. It is grossly unjust, therefore, to compel a mine development company to pay the same stamp tax on its small shares of speculative value as paid by the richest corporation in the United States, whose surplus is many times its capital.

I hope this amendment will be agreed to.

Mr. REED of Pennsylvania. Mr. President, the amendment which the Senator has proposed would cut out the transfer tax on shares of stock. The letter he has just read seems to relate to the 5 cents a hundred tax on the original issue of stock, which is a totally different tax from that to which his amendment is directed. The letter refers to the tax which the Senator from Mississippi [Mr. HARRISON] tried to have stricken out of the bill.

Mr. CAMERON. I think the Senator is mistaken. My amendment refers to the second paragraph on the page.

Mr. REED of Pennsylvania. I ask to have the amendment stated.

The PRESIDENT pro tempore. The amendment will be reported for the information of the Senate.

The CHIEF CLERK. The amendment proposes to strike out on page 254, lines 11 to 25, both inclusive, all of page 255, and lines 1 to 8, both inclusive, on page 256.

Mr. REED of Pennsylvania. As I understood the letter, it related to the original issue of stock, on which the tax is 5 cents per hundred, and that the Senator will find provided for on page 253, in line 22.

Mr. CAMERON. That is the provision to which the amendment offered by the Senator from Mississippi [Mr. HARRISON] related.

Mr. REED of Pennsylvania. Exactly.

Mr. CAMERON. This refers to a different matter.

Mr. REED of Pennsylvania. If the Senator is right, and if his amendment is as he wishes it to be, it means a loss to the United States of $12,800,000 a year; and in the list by States showing the collections of that tax, the report of the Commissioner of Internal Revenue shows nothing whatever coming from the State of Arizona. I do not believe that can be the tax about which the Senator is talking.

Mr. CAMERON. The Senator is evidently looking in the wrong column in the report of the Commissioner of Internal Revenue, which he holds in his hand. It is true that Arizona, Arkansas, and other States and districts do not show any returns in the column at which the Senator is looking. The reason for that is that the column relates wholly to transfers on stock exchanges or similar places and there are no such exchanges in Arizona and other States and districts showing blank in that column. In Arizona and other States and districts, which show blank in the column I refer to, capital stock transfers of domestic corporations are reflected in the two columns just preceding the one at which the Senator is looking. I do not blame the Senator for being mistaken, as the heading of the column at which he is looking is misleading.

The PRESIDENT pro tempore. The question is on agreeing to the amendment offered by the Senator from Arizona.

The amendment was rejected.

Mr. JONES of Washington. I simply desire to give notice that when the bill gets into the Senate I shall ask for a separate vote on an amendment which I understand appears after line 10 on page 334 of the bill. The amendment reads as follows:

SEC. —. The computation of invested capital for any taxable year under the revenue act of 1917, the revenue act of 1918, and the revenue act of 1921, in the case of a taxpayer whose books of account were kept on the accrual basis, shall be considered as having been correctly made, so far as relating to the inclusion in invested capital for such year of income, war-profits, or excess-profits taxes for the preceding year, if made in accordance with the regulations in force in respect of such taxable year applicable to the relationship between invested capital of one year and taxes for the preceding year.

I shall ask for a separate vote on the amendment and shall offer a substitute in the nature of a general provision.

Mr. WILLIS. Mr. President, I offer the amendment which I send to the desk.

The PRESIDENT pro tempore. The amendment will be stated.

The PRINCIPAL CLERK. On page 69, after line 2, insert the following as an additional subsection to section 219:

(i) In determining the individual income-tax liability of the donor or donors of a revocable trust there shall be permitted as a deduction for the years 1919 to 1923, inclusive, losses affecting the corpus of the trust, to the extent that such losses for such years exceed gains and other income taxable to the trust as a separate entity, and any taxes assessed against such donor or donors by reason of the exclusion of such losses as a deduction, shall be abated, credited, or refunded, subject to the statutory period of limitations applicable thereto.

Such losses and gains shall be computed and determined as though the property deposited in trust had been at all times theretofore owned by the donor or donors.

The benefits of this section shall be extended only to such donors who affirmatively agree to permit assessment of tax against them individually upon income from the excess of capital gains over capital losses of such trusts, similarly computed, for all such years 1919 to 1923, inclusive, regardless of the period of limitations otherwise provided by law for the assessment and collection of taxes.

Mr. SMOOT. Mr. President, I see no reason why the amendment should not be agreed to.

Mr. WILLIS. I am perfectly agreeable if the Senator is willing to accept it. This is an amendment I have discussed with the Senator from Utah and with members of the committee, as well as with several other members of the Senate.

Mr. COUZENS. I would be glad if the Senator would briefly explain his amendment.

Mr. WILLIS. I think I can explain it very briefly. The Senator understands and of course every Senator understands what is a trust, and what is a revocable trust, and consequently what a living revocable trust would be. It is a trust that can be revoked at any time. The profits of it come back to the donor.

These so-called living trusts are little more than agencies, entirely revocable in whole or in part, and primarily suited for the convenience of the taxpayer in handling property deposited with a so-called trustee during his lifetime. The trustee is usually a bank or a trust company. Up until April of 1923 the department had always ruled and held that the income of a revocable trust should be included in the gross income of the grantor and that such a trust, being revocable, should be disregarded for income-tax purposes. It was recognized that such was a fair way of handling the situation, and taxpayers returned all income, gains, and losses from or relating to property so deposited as though no trust existed. In the years 1919 to 1923, inclusive, losses were usually more prevalent than gains, and losses were sustained from the sale of securities so deposited. Those losses were included and deducted in the individual tax returns of the taxpayers who created these trusts.

In 1923 the department ruled that revocable trusts were to be taxed the same as irrevocable trusts and accordingly held that the trustee should be considered as a separate taxable person. The result was that, when net capital losses (i. e., in cases where the capital losses exceeded the gains) were sustained upon the disposition of securities held in trust, these losses were not permitted as deductions in the individual returns of the taxpayers who created these trusts. At the same time the taxpayers were required to include ordinary trust income in their returns, such as dividends, rents, and interest that was otherwise distributable from the trust, without any deduction whatever for the capital losses.

This of itself is an injustice, but the full effect of the hardship can best be understood when it is considered that, had not the taxpayers relied upon the ruling of the department, they could quite easily have revoked these securities, which they desired to sell, and could have taken the losses themselves without question. However, relying upon the rulings of the department, as they had a right to do, they did not take such action, and they have been subjected to the injustice occasioned by the retroactive application of the rule adopted by the department in the year 1923.

It was the policy of the department, as it is now the law, that a revocable trust should be treated for income-tax purposes just as if no trust existed; that is to say, the person who made the trust should account for the income in his income-tax return. That was the ruling of the department for a number of years, and it is now a provision of the law. However, in 1923 the Bureau of Internal Revenue reversed its ruling and provided in an order then issued that this was to be treated as an irrevocable trust.

The result is that in cases where a net capital loss is sustained, namely, where losses from sales of property exceed the gains, the trustee, considered as a separate taxable person, has a loss which no one can deduct. On the other hand, the creator must pay income taxes on the ordinary distributable income of the trust, such as dividends and interest, without any deduction whatever for the capital losses of the so-called trust estate.

The hardship occasioned by this ruling will be apparent from the following example:

Suppose that A deposited, in the year 1916, $100,000 of securities, the income from which was to be paid to him, and the securities deposited being subject to his right of revocation in whole or in part. Assume that during the year 1920 the income from dividends and interest amount to $6,000. We will assume also that during the year 1920 A, the creator, ordered the trustee to sell $20,000 of securities deposited, which represented a capital loss of $10,000. We will assume also that $5,000 of capital gains were realized from sales.

Under the early rulings issued by the department all of these transactions would be reflected in A's individual tax return, as follows:

Income from dividends and interest		$6,000
Gains from sale of securities	$5,000	
Losses from sale of securities	10,000	
Net loss from sale of securities		5,000
A's net income from trust		1,000

Under the subsequent ruling of the department, issued in 1923, two returns would have been required, one by the trustee and one by A, the individual. The trustee's return would show the following:

Capital gains	$5,000
Capital losses	10,000
Net capital loss	5,000

Which no one can deduct.

The other income of the trust, from dividends and interest, amounting to $6,000, would be considered as taxable to A individually, and has nothing whatever to do with the income-tax liability of the trustee as a separate person. Accordingly A's income-tax liability would be computed as follows:

Income from dividends and interest	$6,000
Capital deductions	None.

The net result is that the so-called trust estate has a capital loss which, in a sense, hangs in mid-air, and which no one can deduct.

On the other hand, A, who created the trust, notwithstanding his interest in the property, pays an income tax upon the entire distributive income of the trust, namely, $6,000, without any credit whatever for his capital loss.

Had not the prior rulings of the department been relied upon, this injustice could easily have been avoided. It would only have been necessary for A to have revoked the securities before sale, and upon completion of the sale the loss could have been included in his individual return.

The peculiar injustice is that the creator of the trust is penalized for relying upon the rulings of the department.

The result of that retroactive act was that under the old ruling capital losses, as the Senator will see, could be deducted from the gains; but with the new ruling here was a loss which, so to speak, was suspended in the air. It could be assessed only to the trustee, who was simply "a wooden man" and had nothing at all, since all of the profits went to the grantor or the donor of the trust.

What I am seeking to do is to make what is now the law and what is provided for in the bill on the preceding page the law applicable to these trusts. I have discussed it with several

members of the committee and numerous Members of the Senate. So far as I know, there is no objection to it.

Mr. FLETCHER. How does it affect the Treasury?

Mr. SMOOT. There is no amount of any consequence involved.

The PRESIDING OFFICER (Mr. ODDIE in the chair). The question is on agreeing to the amendment offered by the Senator from Ohio.

Mr. JONES of Washington. Mr. President, may I inquire of the Senator from Utah if instead of having these special regulations relating to special matters it would not be much better to have a general provision covering them all?

Mr. SMOOT. We have now accepted three amendments of this kind. This is the last one; so let us accept it and let it go to conference; and if the conferees want to put them all together in one provision, they can do it.

Mr. JONES of Washington. How does the Senator know it is the last one?

Mr. SMOOT. Because I have all the amendments here, and I do not know of any other of this character.

Mr. JONES of Washington. But I have just read one, the provisions of which have gone into the bill, and I understand it is estimated that it will cost the Government $75,000,000.

Mr. WILLIS. I hope the Senator will not object to the amendment I have offered. It is not going to cost any such amount as that.

Mr. JONES of Washington. Why not adopt a general provision covering these matters? Here is a provision that we put in the bill the other day, which it was stated would probably cost as much as we are to collect under it. I have no doubt that the statement was made in perfect good faith. Yet now I see it stated in the press that it will probably involve $75,000,000.

Mr. SMOOT. The press is wrong.

Mr. JONES of Washington. I have heard it also very definitely stated that it has been admitted that it will cost at any rate $25,000,000. I do not know what it will cost. Why not cover these special exceptions by a general provision?

Mr. SMOOT. They are all in different sections of the bill. I think they ought to stand on their own footing. The House conferees may agree to this one and may disagree to the others. I think they ought to be inserted in their proper places in the bill and let them go through in that way.

Mr. JONES of Washington. Is the Senator opposed to a general provision that will take care of instances where persons have acted in perfect good faith in compliance with the regulations of the department and with what they thought was the law?

Mr. SMOOT. If we incorporate a general provision of the law in that way, we do not know how it will be construed. No one could tell. The Senator does not know who else will try to get in under its provisions. These are special cases. This statement of the Senator is the first I have ever heard that it would cost $25,000,000 or $75,000,000.

Mr. JONES of Washington. A very reliable writer, David Lawrence, in an article just day before yesterday stated that it had been admitted that it would cost about $75,000,000. I have not any doubt that Mr. Lawrence had some pretty reliable information before he made his statement.

Mr. SMOOT. I am told by one of the experts from the department that there will be no such cost.

Mr. COUZENS. I believe there will be a loss, but I think this provision does just what the Senator from Washington said. It confirms the practice of the bureau in all cases and makes the law what the people thought was the law.

Mr. JONES of Washington. Not in all cases. Why could we not have a general provision that would confirm the action of the department in all cases where they have acted for a considerable length of time and people in perfect good faith have acted under those regulations. This only applies to particular cases. I have no objection to taking care of those things. It seems to me that we ought to do it. What I object to is the picking out of particular instances, particular kinds of tax, and settling those and leaving the others unsettled. That is why I asked the Senator from Utah if he would have any objection to a general provision reading practically as this does and have it instead of the several particular items.

Mr. SMOOT. The amendment does not take a cent out of the Treasury of the United States.

Mr. JONES of Washington. But the Senator from Pennsylvania [Mr. REED], who presented it, said that it would.

Mr. SMOOT. It will stop perhaps some revenue from coming in during the future, but it will not take anything out, because it is applicable only to the future.

Mr. COUZENS. It also validates the practice of the bureau up to date.

Mr. JONES of Washington. Yes.

Mr. SMOOT. As I said, there is nothing to come out of the Treasury. It validates what has already been done.

Mr. JONES of Washington. It expressly prevents anything coming into the Treasury under these particular cases.

Mr. SMOOT. Yes.

Mr. JONES of Washington. That is what I said. Why not in all cases cover actions that have been had in accordance with the regulations of the bureau?

Mr. SMOOT. I do not know where such a provision should go.

Mr. COUZENS. I do not know where the failure is. If the Senator will tell us where anything has been omitted, I should be in accord with his views, but I think everything has been presented up to date so far as I know.

Mr. JONES of Washington. I am satisfied that we will find many instances. I am satisfied that hereafter there will be propositions made asking that the rulings of the department and the regulations of the department shall be adhered to.

Mr. SMOOT. I would rather have Congress act upon each individual case. I would not like to have a general law and have it construed by some one down in the department. In these particular cases we have acted, but this is the last one I know of, and I do not see why it should not go in the same as the others. I am told by one of the officials of the department that there is very little loss in the matter.

Mr. JONES of Washington. I am not objecting to the Senator's proposition. What I am objecting to is the policy of the committee in picking out particular propositions and taking care of those and leaving other propositions uncared for.

Mr. SMOOT. The committee did not pick them out. They have been presented here, and the committee has accepted them.

Mr. JONES of Washington. The committee did not pick them out, of course, but the committee is not very particular about accepting certain propositions.

Mr. SMOOT. That is true.

Mr. JONES of Washington. It seems to me it would be far better to accept a general proposition under which all of these cases could be settled without apparently exercising favoritism.

Mr. FESS. I think if the Senator would go into this particular amendment——

Mr. JONES of Washington. I am not objecting to this particular amendment. I have said that two or three times. As I understand it, the Senator from Utah would be opposed to a general provision?

Mr. SMOOT. Yes; I do not think a general provision can cover all of the cases, because each case may be different.

Mr. JONES of Washington. Oh, no.

Mr. SMOOT. The amendment now offered does not cover a case that has been covered by any other amendment that we have had.

Mr. COUZENS. What would the Senator from Washington propose to have done?

Mr. SMOOT. I do not see how it could be done by a general provision.

Mr. JONES of Washington. I will read to the Senator a provision that I should like to see in the bill and that I expect to offer as a substitute for the provision here.

Mr. WILLIS. Will not the Senator from Washington permit us to vote on the amendment?

Mr. JONES of Washington. I will do so in a moment. I intend to propose the following amendment as a substitute for an amendment already adopted:

On page 291, after line 13, insert the following as a new subdivision:

"(c) The liability of any taxpayer under any internal revenue law shall be determined (unless such taxpayer otherwise consents or requests) in accordance with the Treasury decisions, opinions of the Attorney General, and regulations made by the commissioner or the Secretary, or by the commissioner with the approval of the Secretary, in force at the time his return was made, whether such return was made before or after the enactment of this act. As used in this subdivision, the term "return" means, in the case of a return which has been amended, the return as finally amended."

Mr. SMOOT. That would not cover this case.

Mr. JONES of Washington. In other words, where a taxpayer has acted in perfect good faith under the regulations issued by the Secretary or an opinion of the Attorney General, his action then, if in accordance with those regulations and the opinion of the Attorney General as a point of law should be conclusive.

Mr. COUZENS. Supposing the Supreme Court upsets one of those rulings?

Mr. JONES of Washington. Then it ought to be validated just the same. That is exactly what has happened.

Mr. COUZENS. That is the reason why I think that we can not deal with it in a general way because there are perhaps thirteen or fourteen thousand of these cases. As to many of them, no one knows what will become of them; in fact only 15 per cent of them anyone knows anything about. Any one of them may be changed at any time, but under this provision it could not be done.

Mr. SMOOT. Are there not about 60,000 of them?

Mr. JONES of Washington. It could be changed, but the change would not affect the rights of those who had made their returns and acted under the regulations as they were at the time they took action; in other words, it seems to me unjust and unfair to the citizens of this country, by regulation or otherwise, to make retroactive law. That is what this amounts to, and that is what was done in the case that we have taken care of by this provision.

Mr. COUZENS. If the Senator knows of any other cases that we have not taken care of, I am in sympathy with his viewpoint, but I do not believe we can cover them en bloc.

Mr. JONES of Washington. I do not see why we could not declare a general principle that will apply. That is what we have general laws for.

Mr. COUZENS. I want to say that if we had passed a provision like that in the act of 1924, all of the work that the investigating committee has done would have practically been null and void, because the result of the committee's work has been to open up many cases that were closed irregularly and without published rulings, or with several rulings on the same subject. We can not cover all of the rulings dealing with the same subject where the rulings were different in identical cases.

Mr. SMOOT. And the different cases in the meantime under a decision of the Supreme Court might be validated immediately, and not only that——

Mr. JONES of Washington. Why should they not be? Where the department has made regulations requiring the returns in a certain form, and citizens have made such returns, have relied upon them and acted upon them, and they have been approved by the department, if, then, by reason of a subsequent decision or by reason of an opinion of the department the regulations are changed, the changed regulations ought not to relate back and to require something that the citizen did not have any idea or knowledge of at the time the return was made.

Mr. WILLIS. That is precisely what happened in the case we are seeking now to remedy.

Mr. JONES of Washington. That is what I want to see corrected. It ought to be corrected in a general way instead of picking out particular cases. I have not any objection to the Senator's amendment, but I do think that we ought to adopt a general provision without picking out particular cases and showing favoritism, as it appears—not intentionally; I do not say that—but it looks as though by legislative act we are picking out here and there particular classes to favor them, as in this case here. I feel pretty certain that under that provision there will be millions of dollars that will be lost to the Government. I do not say that it ought not to be done; but we ought not to pick it out in that particular case.

Mr. WILLIS. The Senator from Washington does not mean to say that as to the pending amendment?

Mr. JONES of Washington. I mean the provision in the bill. I gave notice a while ago that I expected to offer the amendment to which I referred. I shall not take the time of the Senate further now, but I wanted to call attention to these specific acts of acceptance.

The PRESIDING OFFICER. The question is on the amendment offered by the Senator from Ohio [Mr. WILLIS].

The amendment was agreed to.

Mr. SHORTRIDGE and Mr. COUZENS addressed the Chair.

The PRESIDING OFFICER. The Chair recognizes the Senator from California.

Mr. SHORTRIDGE. Mr. President, I offer the amendment, which I send to the desk. I advise the Senate that its purpose is to equalize and harmonize the law, in view of the fact that both Houses have agreed to a reduction in the tax on absolute or pure alcohol. This amendment, though somewhat elaborate in words, is designed to equalize the matter in respect to wine for medicinal, scientific, and sacramental purposes.

Mr. COUZENS. Let us have the amendment read, Mr. President.

The PRESIDING OFFICER. The amendment proposed by the Senator from California will be stated.

The PRINCIPAL CLERK. On page 264, after line 21, it is proposed to insert the following new section:

TAX ON WINES AND BRANDY USED IN FORTIFICATION

SEC. 905. Sections 611 and 612 of the revenue act of 1918, as amended, are amended to read as follows:

"SEC. 611. That upon all still wines, including vermuth, and all artificial or imitation wines or compounds sold as still wine, which are hereafter produced in or imported into the United States, or which on the day after the enactment of the revenue act of 1926 are on any winery premises or other bonded premises or in transit thereto or at any customhouse, there shall be levied, collected, and paid, in lieu of the internal-revenue taxes now imposed thereon by law, taxes at rates as follows, when sold, or removed for consumption or sale.

"Until January 1, 1927, on wines containing not more than 14 per cent of absolute alcohol, 16 cents per wine gallon, the per cent of alcohol taxable under this section to be reckoned by volume and not by weight; on and after January 1, 1927, and until January 1, 1928, 12 cents per wine gallon; and on and after January 1, 1928, 8 cents per wine gallon.

"Until January 1, 1927, on wines containing more than 14 per cent and not exceeding 21 per cent of absolute alcohol, 40 cents per wine gallon; on and after January 1, 1927, and until January 1, 1928, 30 cents per wine gallon; and on and after January 1, 1928, 20 cents per wine gallon.

"Until January 1, 1927, on wines containing more than 21 per cent and not exceeding 24 per cent of absolute alcohol, $1 per wine gallon; on and after January 1, 1927, and until January 1, 1928, 75 cents per wine gallon; and on and after January 1, 1928, 50 cents per wine gallon.

"All such wines containing more than 24 per cent of absolute alcohol by volume shall be classed as distilled spirits and shall pay tax accordingly.

"SEC. 612. That under such regulation and official supervision and upon the giving of such notices, entries, bonds, and other security as the commissioner, with the approval of the Secretary, may prescribe, any producer of wines defined under the provisions of this title may withdraw from any fruit distillery or special bonded warehouse grape brandy, or wine spirits, for the fortification of such wines on the premises where actually made: *Provided*, That there shall be levied and assessed against the producer of such wines a tax (in lieu of the internal-revenue tax now imposed thereon by law) until January 1, 1927, of 60 cents per proof gallon of grape brandy or wine spirits whenever withdrawn and hereafter during the year 1926 so used by him in the fortification of such wines during the preceding month, which assessment shall be paid by him within 10 months from the date of notice thereof: *And provided further*, That nothing contained in this section shall be construed as exempting any wines, cordials, liquors, or similar compounds from the payment of any tax provided for in this title. On January 1, 1927, and until January 1, 1928, this fortifying tax on such brandy or grape spirits shall be 45 cents per proof gallon, and after January 1, 1928, 30 cents per gallon.

The PRESIDING OFFICER. The question is on agreeing to the amendment proposed by the Senator from California.

Mr. COUZENS. I should like to have the Senator explain the effect of the amendment.

Mr. SHORTRIDGE. Mr. President, I do not think it is necessary to multiply words; but, in response to the suggestion of the Senator from Michigan, I invite attention to the fact that the House reduced very materially the tax on alcohol. The bill came to the Senate and went before the Finance Committee. That committee disagreed with the action of the House; but thereafter in this Chamber, the matter being very fully considered, the Senate receded or refused to agree with the recommendation of the committee. In other words, the Senate agreed to the House provision; so that there is a material reduction in the tax on pure alcohol.

The amendment which I have submitted at the request of the grape growers and wine makers, not only in my State but in other States, proposes, it will be observed, to reduce the tax 25 per cent, which is less, indeed, than the reduction in the bill applying to alcohol as it came from the House and as it is now agreed to by both Houses.

Mr. COUZENS. By how much will it reduce the revenue?

Mr. SHORTRIDGE. If the amendment shall be agreed to in the form in which it is drafted, the reduction will amount to approximately a half million dollars, measured by the past returns. I do not think that any serious or valid objection can be made to the amendment. I have heard of none from any quarter.

Mr. SMOOT. The House reduced the tax on alcohol, but the House did not reduce the tax on wine.

Mr. SHORTRIDGE. That is true.

Mr. SMOOT. Why should we reduce the tax on wine? There is no special relation whatever between alcohol and wine.

Mr. SHORTRIDGE. Both Houses have voted to reduce the tax on alcohol, for good and sufficient reasons, as we must assume.

Mr. SMOOT. But the same body did not reduce the tax on wine.

Mr. SHORTRIDGE. I grant that it did not, but I am very sure that when the amendment goes to conference the House conferees will agree to the amendment. I am not aware that it was presented in the other body.

Moreover, let me state, in perfect candor to Senators, that I am advised by the president of the association that this reduction would not have been asked for if the reduction in alcohol had not been made. There was no disposition to urge this amendment, but, inasmuch as the tax has been or, I assume, will be reduced on pure alcohol it is here proposed to be reduced on wine containing a certain percentage of alcohol.

Mr. SMOOT. Let me ask the Senator a question. Does the amendment apply only to still or sparkling wines and cordials and grape brandy for fortifying sweet wines?

Mr. SHORTRIDGE. Yes. I think that would cover it.

Mr. SMOOT. I will try to figure out just what we are going to lose by way of revenue. I did not follow the amendment. So I asked the Senator if it only refers to still or sparkling wines, cordials, and so forth, at 16 cents to $1, and grape brandy for the fortifying of sweet wines at 60 cents per gallon. Are those the items that are covered by the Senator's amendment?

Mr. SHORTRIDGE. According to the figures submitted to me by the department, the reduction will not amount to more than half a million dollars, if that much.

Mr. SMOOT. I think, figuring it up roughly here, that that is right as to the amount involved. Perhaps we had better let it go into the bill and let it go to conference, Mr. President, and then we will thrash it out there.

Mr. SHORTRIDGE. Very well.

Mr. HARRISON. Mr. President, may I inquire how much this amendment seeks to reduce the taxes?

Mr. SMOOT. Approximately $500,000.

Mr. SHORTRIDGE. Somewhat less than half a million dollars.

Mr. SMOOT. We will let it go to conference.

Mr. HARRISON. And the committee accepts it?

Mr. SMOOT. I say, we will let it go to conference.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from California. [Putting the question.] By the sound the "noes" seem to have it.

Mr. SHORTRIDGE. Mr. President, I will call for a quorum here in a moment.

Mr. SMOOT. Let us have a division.

On a division, the amendment was agreed to.

Mr. HARRISON. What was the vote, Mr. President?

The PRESIDING OFFICER. The amendment was agreed to.

Mr. FRAZIER. Mr. President, I appeal from the decision of the Chair.

Mr. KING. I raise the point of order that the appeal is entirely too late. I call for the regular order.

Mr. COUZENS. Mr. President, I send to the desk an amendment to be inserted on page 22, line 16, of the bill.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 22, line 16, after the word "paragraph," it is proposed to insert a new subsection, as follows:

(3) Such intangible values as may be due to the taxpayer's possession of capital, manufacturing ability, operating ability, selling ability, good will, or organization shall not be included in values to be depleted.

Mr. COUZENS. Mr. President, that is to take care of the provision beginning on line 12, of page 21, which says:

The basis upon which depletion, exhaustion, wear and tear, and obsolescence are to be allowed in respect of any property shall be the same as is provided in subdivision (a) or (b) for the purpose of determining the gain or loss upon the sale or other disposition of such property, except that—

(1) In the case of mines discovered by the taxpayer after February 28, 1913, the basis for depletion shall be the fair market value of the property at the date of discovery—

And so forth. I shall not read the whole clause; but the amendment is proposed to exclude from the computation any intangible value such as provided in the amendment.

Mr. SMOOT. Mr. President, I desire to read the statement of the department in opposition to the amendment, and then I will let the Senate decide the matter:

The law does not permit depletion of the "taxpayer's business as a going concern," but only the "mine, oil or gas well, other natural deposits, and timber." It states that "a reasonable allowance for depletion" shall be made "in the case of mines, oil or gas wells, other natural deposits, and timber." (Sec. 214(a) 9 and sec. 234(a) S—in 1924 revenue law—same in proposed 1926 revenue law—see H. R. 1, p. 51 and p. 91.) It is, therefore, the mines, oil or gas wells, or natural deposits that are being "depleted" and for which the allowance is given.

By no possible construction of the text of the law can this allowance be "claimed to include any other value, tangible or intangible," than that of the natural resource itself. It is the tangible deposit of mineral, oil, or gas, that is being exhausted and forms the depletion base. There is no ambiguity in the existing or the proposed statute on this subject.

Mr. COUZENS. Mr. President, then, if that is true, there is no objection to putting this amendment in the law, because this just carries out the practices as claimed by the bureau, which we contend, however, have not been indulged in.

Mr. SMOOT. Of course, the department takes the position that if that be the case there is no necessity of it.

Mr. COUZENS. If the practice of the bureau is as the Senator has stated, then there can be no objection to this amendment, because this amendment only provides for what the bureau say they are already doing.

Mr. KING. Mr. President, will the Senator from Michigan yield?

Mr. COUZENS. Yes.

Mr. KING. I have not in my mind very distinctly the testimony taken by the Couzens committee upon which an amendment of this kind might be predicated; but, as I recall, there was some testimony which tended to show that selling ability, and particularly good will, were treated as an intangible property, and subject to such advantages or disadvantages, depending upon the point of view, as might result therefrom; and my recollection is that it was the consensus of opinion when that matter was under consideration, and there was no objection to it by any of the Senators, that perhaps it ought to be met by an amendment. I will ask the Senator if his memory is refreshed so that he can enlighten us as to what the testimony showed upon that matter?

Mr. COUZENS. The testimony showed in a number of cases, which if it is necessary to read I will read, that other elements than the value of the resources in the ground have been included in computing the value.

Mr. SMOOT. There were five cases, were there not, in the investigation?

Mr. COUZENS. I do not remember the number of cases, but if it is not the practice there certainly can be no objection to putting it in the law. I do not get the discussion of the Senator from Utah, because he says the practice of the bureau is to do the very thing that the amendment provides for.

Mr. SMOOT. I say that that is what the department itself claims.

Mr. COUZENS. Then there can be no objection to the amendment.

Mr. SMOOT. If that is the case, allow the amendment to be agreed to, and then I will ask for a further statement from the department. I have no objection to the adoption of the amendment.

The PRESIDING OFFICER. Without objection, the vote whereby the committee amendment to which this is proposed as an amendment was agreed to will be reconsidered. The question is upon the amendment of the Senator from Michigan to the amendment of the committee.

The amendment to the amendment was agreed to.

The amendment as amended was agreed to.

Mr. COUZENS. Mr. President, I send to the desk another amendment, to be inserted on page 100, line 9. I spoke to the chairman of the committee about it, and he saw no objection to it. I believe it will have to take the same parliamentary course.

Mr. SMOOT. No; it will not be necessary to reconsider that. This is not an amendment to an amendment. It is a straight amendment.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 100, line 9, it is proposed to strike out the word "voting," and on line 11 it is proposed to strike out the word "voting."

Mr. COUZENS. That is to provide for corporations that have a large amount of nonvoting stock.

Mr. SMOOT. There is no objection at all to that, Mr. President. That ought to be done.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. KING. That will be treated as one amendment?

The PRESIDING OFFICER. It will.

Mr. COUZENS. Mr. President, I send to the desk another amendment providing for an addition to section 1101, on page 286.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 286, it is proposed to strike out lines 2, 3, and 4 and to insert:

SEC. 1101. The commissioner, with the approval of the Secretary, shall prescribe and publish all needful regulations for the enforcement of this act, and the commissioner shall promulgate and publish all rules, practices, principles, and formulas applied or followed in the interpretation and application of any revenue act and/or the regulations to the determination of tax subject to the provisions of section 3167 of the Revised Statutes.

Mr. SMOOT. I see no objection to that amendment, Mr. President.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Michigan.

The amendment was agreed to.

Mr. COUZENS. Mr. President, the senior Senator from Idaho [Mr. BORAH] this morning had read into the RECORD a telegram which said this:

Italics in House tax bill—

and I think the telegram is intended to mean "Senate tax bill"—

Section 203 (c), page 11, have alleged joker which will exempt from taxation dividend that was paid in Electric Bond and Share stock early in 1925, also many other similar dividends.

The Senator from Idaho asked me about the matter and asked me if I would explain it to the Senate; and I do it for the RECORD and in response to the request of the Senator from Idaho.

This provision, which I have looked into, simply means substantially a stock dividend. In other words, in the particular case referred to in the telegram the General Electric Co. disposed of its shares in the Electric Bond & Share Co. to its own stockholders, so as to avoid what was perhaps thought to be a combination in restraint of trade. So they disposed of the shares that they owned in the Electric Bond & Share Co. to their stockholders in proportion to their holdings. In other words, it was substantially a stock dividend, and therefore was not taxable; and there is therefore no exception to be taken to the section, as I see it.

Mr. SMOOT. Mr. President, I want to say further that the subject matter of the telegram is covered by existing law in these words:

If there is distributed, in pursuance of a plan of reorganization—

Mr. COUZENS. But this was not a plan of reorganization.

Mr. SMOOT. Oh, yes; that was a reorganization.

Mr. COUZENS. Oh, no; not in the distribution of the shares referred to in the telegram. That was not a reorganization. It was a disposition of the assets of the General Electric Co. to its stockholders, and was substantially giving them stock that they already owned, but no cash. Of course, when the stock is sold by the stockholders, it then will be taxable.

Mr. SMOOT. Mr. President, if the Senator will read what the term "reorganization" means in existing law, I think he will agree with me.

Mr. COUZENS. There is no discussion, anyway? There is no argument?

Mr. SMOOT. No; there is no argument. I want to say that the sender of the telegram was simply mistaken; that is all.

Mr. HARRIS. Mr. President, I offer the amendment which I send to the desk.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 56, after line 16, it is proposed to insert:

All persons whose net incomes do not exceed their personal exemption, plus credit for dependents, by more than $500, are hereby exempted from the payment of the normal tax.

Mr. HARRIS. Mr. President, the credit allowed by law to each individual in computing his or her income tax, known as the personal exemption, is now for a single person $1,000 and for a head of a family or married person living with husband or wife $2,500. Under the revenue bill as it passed the House and was reported to the Senate from the Finance Committee the personal exemption will be raised to $1,500 for a single person and $3,500 for a head of a family or married person.

It is estimated by the committee that 2,350,000 persons who now pay income tax will be entirely relieved from payment of such tax by this increase of the personal exemption.

The reduction in revenue receipts resulting from this increase of the personal exemption will amount to $42,000,000, according to the House committee report of the bill.

The 2,350,000 persons who will no longer be required to pay income tax are those whose incomes range between $1,000 and $1,500 for single persons and $2,500 and $3,500 for heads of families and married persons. They belong to that class of hard-working good citizens whose incomes are entirely absorbed in payment of necessary living expenses of themselves and their families. They are the people most in need of relief, and I heartily approve the action of the House and our Finance Committee in affording them complete exemption.

I regret that the Finance Committee has not found it advisable to recommend a further increase of the personal exemption to $2,500 for single persons and $5,000 for heads of families and married persons. Men and women, particularly heads of families, with small or moderate incomes, are taxed indirectly all they can bear through the Republican high protective tariff, which greatly increases the prices of practically all the necessities of life; and we should not place upon them the additional burden of income tax.

I have always contended that a married person whose income does not exceed $5,000 should be relieved from payment of any income tax whatever, and I hope the day is not far distant when this can or will be done.

Apparently the Finance Committee feared that the reduction in revenue receipts would be too great to justify an increase of the personal exemption beyond $1,500 for single persons and $3,500 for heads of families and married persons. As previously stated, the reduction in revenue receipts that will result from this increase of the personal exemption amounts to $42,000,000. It is well to note, however, that less than half of this amount would have been paid by the 2,350,000 taxpayers relieved from payment of tax by the increase of the personal exemption.

All taxpayers profit by any raise in the personal exemption, but not to the same extent. The actual reduction of income tax resulting from such raise is about four and one-half times as great for a person with large income as for one with a small income. For instance, raising the personal exemption $1,000, as is provided in the revenue bill, for heads of families and married persons, reduces the income tax by $50 for one whose net income exceeds $20,000 and only $11.25 for one whose income is $7,500 or less. This is due to the fact that the tax rate for the larger income is, under this bill, 5 per cent, and for the smaller 1½ per cent, less 25 per cent reduction for earned incomes.

I have no objection to scaling down the tax of the wealthy man or woman just as much as the needs of the Government will permit. On the contrary, I shall always urge that this be done, but to my mind it is more important to remove entirely the burden of income tax from married persons with incomes of $5,000 and less than to make such great reduction in the taxes of those with larger incomes.

In the face of the strong opposition of the majority members of the Finance Committee to any further reduction of the revenue receipts it may not be possible at this session to raise the personal exemption, from which all taxpayers profit, more than is provided in the bill as reported by the committee; that is, to $1,500 for single persons and $3,500 for heads of families and married persons, though I, myself, agree with the minority members that it would be perfectly safe to make still greater cuts in many of the taxes, particularly in the so-called nuisance taxes. I hope, however, the Senate will adopt my amendment exempting all persons whose net incomes do not exceed their personal exemptions by more than $500.

My amendment will have the same effect as raising the personal exemption for those with incomes between $1,500 and $2,000, in the case of the single persons, and $3,500 and $4,000 in the case of heads of families and married persons, since it will relieve them from payment of any income tax. My amendment will not reduce or in any way affect the taxes of those whose incomes exceed these amounts, and the loss in revenue receipts will be small in comparison with the loss that would result from a corresponding increase of the personal exemption for all taxpayers. I shall later show that even this small re-

duction in the revenue receipts will be largely, if not wholly, offset by saving in operating expenses of the Internal Revenue Bureau.

As has been stated, those profiting by my amendment are single persons with incomes between $1,500 and $2,000 and heads of families and married persons with incomes between $3,500 and $4,000, of whom there are about 850,000, and this number will be wholly exempt from income tax, in addition to the 2,350,000 exempted by the increase of the personal exemption as provided in the revenue bill.

The revenue bill, with my amendment, will in effect raise the personal exemption to $2,000 for single persons and $4,000 for married persons, and will relieve 3,200,000 from income tax who would have to pay under the old law.

The income tax that would be paid by the 850,000 men and women exempted by my amendment would range from a few cents for those whose net incomes only slightly exceed their personal exemptions to $5.63 for those whose net incomes exceed their personal exemptions by $500. The average tax that would be paid by them is $2.81¼. The total tax they would be required to pay is thus $2,390,625 (850,000×$2.8125); and, since no other taxpayers are affected by my amendment, this sum represents the total gross reduction of revenue receipts that would result from its adoption.

In a speech before the Senate at the last session of Congress I showed that the average cost of collecting income tax was about $6 for each taxpayer, large and small. My calculation was based upon information furnished me by the acting collector of internal revenue, in a letter dated April 28, 1924, from which it appeared that the Government was spending in the vicinity of $25,000,000 to collect the Federal income taxes. At that time the total number of taxpayers was estimated by the Secretary of the Treasury to be 4,361,357. The average cost of collecting the tax (about $6) was determined by dividing the total annual cost ($25,000,000) by the number of taxpayers.

More recent statistics have not materially changed the average cost per taxpayer of collecting the income tax, though some contend that it exceeds my conservative estimate of $6.

This average cost of collecting income tax exceeds the greatest amount ($5.83) that would be paid by any one of the 850,000 taxpayers relieved by my amendment. As has been stated, the average tax of this group is only $2.81¼.

The cost of collecting the tax from these small taxpayers would not be as much as the average for all taxpayers ($6), but it would approximate $2.81, the average tax the former class would pay.

It is thus evident that the total cost of collecting the income tax from the 850,000 men and women exempted by my amendment approximates, if it does not actually exceed, the $2,390,625 they would be required to pay under the revenue bill now before the Senate.

The Washington papers publishing the income taxes of residents of the District of Columbia and vicinity contained page after page of names of men and women that paid less than one dollar each.

Is there anyone that honestly believes it does not cost the Government a dollar to examine, brief, or make notation on and file an income-tax return, make record of payments, reexamine return for final settlement, and do many other things incident to the collection of income taxes? The cost of floor space alone for the filing cases containing 850,000 returns and the correspondence relating thereto, is no small item, and it continues from year to year.

Of the 850,000 taxpayers relieved by my amendment fully 200,000 would pay less than a dollar each, and 500,000 would pay less than $2.81, the average tax for the entire 850,000.

There is not the slightest doubt in my mind that it would cost a great deal more to collect the taxes from the 500,000 men and women that pay from a few cents to $2.81 each than the Government will receive from them in income tax. If the Government actually loses money by taxing these people with small incomes, and it certainly does, why should we continue to force them to go to the trouble and expense of making out income-tax returns and paying the taxes? They need this money to make ends meet, and we should not take it from them simply to furnish employment to a lot of clerks, messengers, and inspectors in the Internal Revenue Bureau.

It is possible that the total taxes of the remaining 350,000 relieved by my amendment may slightly exceed the cost of collection, but I am confident that the small loss the Government would sustain through the exemption of these 350,000 men and women, whose income taxes range between $2.81 and $5.63, would be made up in the gain from the exemption of the 500,000 that pay less than $2.81 each.

The Government can, therefore, exempt the entire 850,000 beneficiaries of my amendment without appreciable, if any, net loss of revenue.

The Internal Revenue Bureau will, of course, oppose my amendment, as they have opposed every move to reduce the number of income taxpayers, for its adoption would force the discharge of possibly fifteen hundred or more of their employees, but I am not one of those who feel that taxes should be collected simply to provide jobs for clerks, however faithful and efficient they may be.

The honorable Secretary of the Treasury, Mr. Mellon, is of the opinion that paying income tax makes a man take deeper interest in the Government, its policies and activities, and that it is, therefore, unfortunate to reduce the number of taxpayers. I was rather shocked to hear the distinguished chairman of the Finance Committee voice similar sentiments on the floor of the Senate a few days ago.

I do not believe, however, there are many in this Chamber who feel that a man will become more patriotic by being deprived unnecessarily of money he sorely needs to support himself and his family; and it certainly is unnecessary, to say the least, to make such a man pay income tax when it costs the Government more to collect it than the tax amounts to.

It will be remembered that Secretary Mellon opposed the amendment I introduced in October, 1921, providing for a 50 per cent reduction of the normal tax on earned incomes, because he then thought the plan to make a distinction between earned and unearned incomes was not workable. On the strength of his report my amendment was defeated by a strict party vote.

Two years later Secretary Mellon adopted my plan bodily, except as to the per cent of reduction, and incorporated it in the bill or plan that bore his name.

The earned income provision was passed by the last Congress without a dissenting vote in either House, and it is now regarded as a permanent feature of our income-tax system.

When the Secretary of the Treasury finds time to study my present plan to extend complete exemption to 850,000 small taxpayers, I feel sure he will again change his mind.

In conclusion, I desire to repeat that my amendment in effect raises the personal exemption to $2,000 for single persons and $4,000 for heads of families and married persons whose net incomes do not exceed these amounts, without reducing or in any way changing the amounts to be paid by other taxpayers.

It will wholly relieve about 850,000 men and women from income tax who would have to pay under the revenue bill as reported by the committee.

The incomes of the beneficiaries of my amendment range between $1,500 and $2,000 for single persons and $3,500 and $4,000 for heads of families and married persons. The taxes they would pay vary from a few cents to $5.63, the average being $2.81.

The gross reduction in revenue receipts that would result from the adoption of my amendment amounts to only $2,390,625, and this will be largely, if not wholly, offset by saving in operating expenses of the Internal Revenue Bureau.

My amendment will also put an end to the uneconomical, if not absurd, practice of requiring men and women with small incomes to pay taxes when the cost of collection equals or exceeds the amount they pay.

My amendment does not in any way conflict with the recommendations of our Finance Committee; on the contrary, it supplements the efforts of the committee to exempt as large a number of persons as possible from payment of any tax whatever.

Anyone who read in the newspapers the income-tax assessments noticed page after page in the Washington papers showing amount of tax paid by persons from 1⅛ cents up to $5.62. It would lose in revenue to the Government only two million and a half dollars and it would save these 850,000 worthy people from a few cents to a few dollars. The Government will not lose anything, because it costs the Government to make out these 850,000 tax returns more than the Government could collect from the taxpayers.

The Treasury Department made a statement that it cost about $6 to audit these income-tax returns, and this would average only $2.84 between the difference between 1⅛ cents and $5.62.

I hope this amendment will be agreed to.

The PRESIDENT pro tempore. The question is on agreeing to the amendment offered by the Senator from Georgia [Mr. HARRIS].

The amendment was rejected.

Mr. McKELLAR. I offer an amendment, which I send to the desk.

The PRESIDENT pro tempore. The clerk will report the amendment.

The READING CLERK. On page 264, after line 21, to insert the following:

DISTRICT COURTS

Exclusive jurisdiction is hereby conferred upon the district courts of the United States to hear and determine, according to the rules of equity, as in other cases where the sum involved exceeds $3,000, first, all claims of taxpayers hereafter arising for refunds; second, all claims of taxpayers hereafter arising for depletions and abatements; third, all claims for additional taxes claimed by the Government against any taxpayer, whatever the nature of the claim, when the amount is in excess of $3,000.

No action shall be maintained under this section unless brought within the statute of limitations two years from the date of payment of the tax, or if brought by the Government two years from the date the tax became due: *Provided*, That in all cases of fraud the action may be brought at any time within six years. Service of process upon the district attorney of the district in which the taxpayer resides, or his assistant, shall be binding upon the United States, and the district attorney shall defend all tax suits brought under this paragraph. All suits brought on behalf of the Government under this paragraph shall be brought by the district attorney of the district in which the taxpayer resides. The records of the Internal Revenue Bureau respecting such claims of taxes shall be sent to the district attorney in the event of a suit brought under this section and shall be available to the inspection of the taxpayer or his attorney. Appeals from the decision of the district judge are to be granted in accordance with the rules of practice in other equity cases arising in such courts.

Mr. SMOOT. I do not know just what effect this would have, as to whether it would crowd the district courts or not. I think we had better accept the amendment and let it go to conference, and in the meantime find out what its effect would be.

The PRESIDENT pro tempore. The question is upon agreeing to the amendment.

The amendment was agreed to.

The PRESIDENT pro tempore. The bill is still in Committee of the Whole and open to amendment. If there are no further amendments to be proposed——

Mr. LA FOLLETTE. Mr. President, I suggest the absence of a quorum.

The PRESIDENT pro tempore. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Ashurst	Frazier	Metcalf	Shipstead
Bayard	Gerry	Moses	Shortridge
Blease	Goff	Neely	Simmons
Broussard	Hale	Norbeck	Smith
Butler	Harreld	Norris	Smoot
Cameron	Harris	Nye	Stanfield
Capper	Harrison	Oddie	Trammell
Copeland	Heflin	Overman	Tyson
Couzens	Jones, Wash.	Pepper	Walsh
Deneen	Kendrick	Phipps	Warren
Dill	Keyes	Pine	Watson
Edge	King	Ransdell	Weller
Edwards	La Follette	Reed, Mo.	Wheeler
Fernald	McKellar	Reed, Pa.	Willis
Ferris	McLean	Robinson, Ind.	
Fess	McMaster	Sackett	
Fletcher	McNary	Sheppard	

The VICE PRESIDENT. Sixty-five Senators having answered to their names, there is a quorum present. The bill is still in Committee of the Whole, and open to amendment.

Mr. KING. Mr. President, I invite attention to page 265, line 19. I move to strike out the figures "$10,000," and to insert in lieu thereof "$7,500," so that it will read:

Each member shall receive salary at the rate of $7,500 per annum.

The reference is to members of the Board of Tax Appeals. I want to say just a few words in support of this amendment.

The members of the Board of Tax Appeals now receive, and have received since the organization of the board, $7,500 per annum. Most of the members of the board are young men who were in the solicitor's office receiving $3,000 or $3,500 or perhaps as high as $4,500. Four or five of them were ex-employees of the department who had gone out for the purpose of practicing before the department and engaging in tax collections. They have been brought back into the department. They were former employees of the department who never received to exceed $5,000 per annum. We gave them the same compensation that is paid to district judges of the United States in the most important districts and States of the Union, $7,500 per annum. Now we have lifted these young boys out of their jobs at $3,500 to $4,500 a year and made them members of the Board of Tax Appeals and it is proposed now to increase their salaries to $10,000 per annum.

I think it is unfair. It may not be defended it seems to me by any Senator. I am willing that they shall receive the same compensation that is now received by the district judges of the United States, to wit, $7,500 per annum. This salary is more than is received by the judges of the supreme court of a majority of the States of the Union. Why these young boys, many of whom went into the bureaus as young boys 22 or 23 years of age and have been there only a few years, should be transplanted to these positions and then receive more than the Federal judges of the United States, many of whom are lawyers of distinction and character and ability and who have been practicing their profession for 20 or 30 years, surpasses my comprehension. I repeat that I do not think it can be defended, and it seems to me the Senate should unanimously reject the amendment tendered to the law and limit these men to the compensation which they are now receiving, $7,500 per annum.

The VICE PRESIDENT. The question is on the amendment offered by the junior Senator from Utah.

Mr. SMOOT. Let us have the yeas and nays.

The yeas and nays were ordered.

Mr. ASHURST. I would like to have the question stated.

The VICE PRESIDENT. The question is upon the amendment of the junior Senator from Utah relating to the compensation of members of the Board of Tax Appeals, striking out $10,000 and inserting $7,500. The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. COPELAND (when his name was called). On this matter I have a pair with my colleague, the senior Senator from New York [Mr. WADSWORTH]. If he were here he would vote "nay" and as I intend to vote that way, I am at liberty to vote. I vote "nay."

Mr. FERRIS (when his name was called). I have a pair with the senior Senator from Kansas [Mr. CURTIS]. In his absence I withhold my vote.

Mr. FLETCHER (when his name was called). I have a general pair with the senior Senator from Delaware [Mr. DU PONT]. In his absence I withhold my vote. If permitted to vote, I would vote "yea."

Mr. McLEAN (when his name was called). I have a pair with the Senator from Virginia [Mr. GLASS]. In his absence I withhold my vote.

Mr. PEPPER (when his name was called). I transfer my pair with the junior Senator from New Mexico [Mr. BRATTON] to the junior Senator from Minnesota [Mr. SCHALL] and vote "nay."

The roll call was concluded.

Mr. BLEASE. Making the same announcement as to my pair with the junior Senator from Missouri [Mr. WILLIAMS], I withhold my vote.

Mr. McLEAN. I transfer my pair with the Senator from Virginia [Mr. GLASS] to the Senator from Vermont [Mr. GREENE] and vote "nay."

Mr. McNARY. I again announce my pair with the Senator from Maryland [Mr. BRUCE]. I am advised that if he were present he would vote as I intend to vote. I vote "nay."

Mr. JONES of Washington. The senior Senator from Kansas [Mr. CURTIS] is detained from the Senate on account of illness. He is paired with the junior Senator from Michigan [Mr. FERRIS].

I desire to announce the following general pairs:

The Senator from Iowa [Mr. BROOKHART] with the Senator from Arkansas [Mr. CARAWAY];

The Senator from Maine [Mr. FERNALD] with the Senator from New Mexico [Mr. JONES];

The Senator from Connecticut [Mr. BINGHAM] with the Senator from Nevada [Mr. PITTMAN];

The Senator from Colorado [Mr. MEANS] with the Senator from Texas [Mr. MAYFIELD]; and

The Senator from Illinois [Mr. McKINLEY] with the Senator from Virginia [Mr. SWANSON].

The result was announced—yeas 19, nays 41, as follows:

YEAS—19

Couzens	Kendrick	Nye	Trammell
Dill	King	Overman	Tyson
Frazier	McKellar	Reed, Mo.	Walsh
Harreld	Neely	Sheppard	Wheeler
Harris	Norris	Shipstead	

NAYS—41

Ashurst	Deneen	Heflin	Metcalf
Bayard	Edge	Jones, Wash.	Moses
Broussard	Edwards	Keyes	Norbeck
Butler	Fess	La Follette	Oddie
Cameron	Gerry	McLean	Pepper
Capper	Goff	McMaster	Phipps
Copeland	Hale	McNary	Pine

Ransdell	Shortridge	Stanfield	Willis
Reed, Pa.	Simmons	Warren	
Robinson, Ind.	Smith	Watson	
Sackett	Smoot	Weller	

NOT VOTING—36

Bingham	Dale	Gooding	Means
Blease	du Pont	Greene	Pittman
Borah	Ernst	Harrison	Robinson, Ark.
Bratton	Fernald	Howell	Schall
Brookhart	Ferris	Johnson	Stephens
Bruce	Fletcher	Jones, N. Mex.	Swanson
Caraway	George	Lenroot	Underwood
Cummins	Gillett	McKinley	Wadsworth
Curtis	Glass	Mayfield	Williams

So Mr. KING's amendment was rejected.

Mr. KING. Mr. President, I submit the amendment which I send to the desk and ask for its adoption.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 93, after line 8, insert the following:

Deductions for the amortization of facilities constructed, erected, installed, or acquired on or after April 6, 1917, for the production of articles contributing to the prosecution of the war against the German Government shall not be allowed in cases where the facility acquired was an operating plant when acquired by the taxpayer, in cases where the construction, erection, installation, or acquisition of the facility was contracted for prior to April 6, 1917, nor in cases in which such amortization was not claimed at the time of filing the return of the taxpayer for the years 1918, 1919, 1920, or 1921.

No deduction for the amortization of facilities retained in postwar use by the taxpayer in excess of the difference between the cost of such facility and the cost of replacing such facility on March 3, 1924, shall be allowed unless such facility consists of a single indivisible unit, the size of which exceeds the taxpayer's postwar requirements, when future requirements are duly considered. In case the facility upon which amortization is claimed is a single indivisble unit, the size of which exceeds the taxpayer's postwar requirements, when future requirements are duly considered, the amortization allowable shall be the difference between the cost thereof and the March 3, 1924, cost of acquiring a facility of size adequate to meet the taxpayer's postwar requirements.

All allowances of deductions from the income of 1918, 1919, 1920, and/or 1921 for the amortization of war facilities heretofore made in cases in which a final determination of tax has not been made upon the approval of this act and in cases pending before the Board of Tax Appeals shall be redetermined in accordance with the provisions of this section.

Mr. KING. Mr. President, the purpose of the amendment which I have offered is to make certain the deductions for amortization of war facilities, as authorized by the revenue act of 1918, as amended by the revenue act of 1921, and to rectify the abuses which have been manifested in the administration of amortization allowances by the Bureau of Internal Revenue. The original act provided that in the case of buildings, machinery, equipment, or other facilities constructed, erected, installed, or acquired on or after April 6, 1917, for the production of articles contributing to the prosecution of the war against the German Government, a reasonable deduction for the amortization of such part of the costs of such facilities as had been borne by the taxpayer should be made, but not including any amount otherwise allowed by a previous act of Congress as a deduction in computing net income.

For the years 1918, 1919, 1920, and 1921 the statute authorized corporations whose war activities had come within its provisions to file claims for reasonable allowances for the amortization of the cost of war facilities. The revenue act of 1921, however, amended the provisions of the law governing amortization deductions and provided that deductions for amortization of war facilities should be allowed against the gross income for any taxable year ending before March 3, 1924, if claim for amortization had been made at the time of the filing of corporation returns for any of the taxable years 1918, 1919, 1920, or 1921. The act of 1921 further authorized the commissioner at any time prior to March 3, 1924, at the request of the taxpayer, to reexamine the return, and if he found as a result of an appraisal or from other evidence, that the deduction originally allowed was incorrect, the income, war-profits, and excess-profits taxes for the year or years affected shall be redetermined and the amount of tax due upon such redetermination, if any, should be paid upon notice and demand by the collector, or the amount of tax overpaid, if any, should be credited or refunded to the taxpayer in accordance with the provisions of section 252 of the revenue act.

The total amount of amortization which had been allowed by the amortization engineers up to April 25, 1925, was $596,934,813, and claims amounting to an additional amount of $75,171,169 were pending on that date.

The staff of the investigating committee has examined all allowances for amortization exceeding $500,000. The allowances exceeding $500,000 aggregated $425,921,945 on April 25, 1925. Of this amount the allowances in cases which are still open for reconsideration aggregate $253,120,717 and the balance can not be reconsidered because of statutory inhibition.

The committee staff found that in the case of allowances exceeding $500,000 allowances aggregating $210,665,360 were condemned by the rulings of the solicitor. Of this amount the recommendation of allowances aggregating $71,127,669 is barred by statute, but improper allowances aggregating $139,537,691 are involved in cases in which the tax has not been finally determined but in which the amortization claim has been passed upon by the engineers of the bureau. As the tax has not been determined, the tax on $139,537,691 on improper amortization allowances in cases involving more than $500,000 can still be saved in addition to the tax upon similar improper allowances in cases involving less than $500,000, the amount of which we do not know.

Under the amortization provisions as amended by the act of 1921, which vested in the commission discretionary power to reopen and reexamine returns to find if deductions theretofore made were incorrect, additional claims for amortization were filed by the group of corporations whose separate claims exceeded $500,000, which increased the amount claimed by this group from $331,527,046.18 to the amount of $635,934,923.16, or to nearly double the amount which had been originally claimed. I desire to bring to the attention of the Senate some instances of the manner in which these claims were increased when the act authorized the commissioner to reexamine the returns. The Air Reduction Co. increased its claim from $541,839.96 to $1,126,658.95. The Allen Wood, Iron, & Steel Co. increased its claim from $566,185.50 to $2,817,232.05. The Allegheny Steel Co. increased its claim from $201,375.94 to $718,701.10. The Allis Chalmers Manufacturing Co. increased its claim from $598,908.61 to $1,573,171.59. The Aluminum Co. of America increased its claim from $6,825,697.36 to $18,268,435.82. The Atlantic Refining Co. increased its claim from $3,498,676.88 to $9,293,733.28. The Colt Patent Firearms Co. increased its claim from $2,871,036.92 to $6,734,144.25. The E. I. du Pont de Nemours Co. put in a claim for $17,000,000. The Bethlehem Steel Co. put in a claim for $48,000,000. The United States Steel Co. put in a claim of $86,411,952.61. These figures indicate the amount of claims put in a few cases and illustrate the manner in which claims which had been filed in 1918, 1919, 1920, and 1921 were subsequently inflated under the provisions of the act of 1921 which allowed the commissioner to reexamine amortization returns and redetermine amortization deductions.

In a group of 24 corporations, amortization deductions were allowed in the sum of $30,520,823.23, which resulted in tax refunds in the sum of $5,417,886.88, credits against future taxes in the amount of $1,516,987.74, and tax abatements in the sum of $4,522,155.44, producing total refunds credits and abatements of taxes in the sum of $11,457,030.06 for this small group of corporations.

I ask that this table be inserted in the RECORD as a part of my remarks.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Details of the refunds and abatement of taxes for corporations in this group.

Name and address of taxpayer	Overassessments granted on account of amortization allowances				
	Amount of amortization	Refunds	Credits	Abatements	Total
Camden Forge Co., Camden, N. J.	$1,336,829.27	$432,307.25	$65,153.14	$82,369.23	$579,829.62
International Motor Truck Corporation, New York City [1]	559,841.60			515,203.03	515,203.03
Sharon Steel Hoop Co., Sharon, Pa.	582,571.67	268,943.76			268,943.76
Standard Shipbuilding Co., Shooters Island, N. Y.	1,218,871.67	58,024.02		111,184.43	169,208.45
Do	912,043.09	113,860.08		161,425.09	275,285.17

[1] Also on account of increase in invested capital.

Details of the refunds and abatement of taxes for corporations in this group—Continued

Name and address of taxpayer	Overassessments granted on account of amortization allowances				
	Amount of amortization	Refunds	Credits	Abatements	Total
J. G. Brill Co., Sixty-second and Woodlawn, Philadelphia, Pa[1]	$552,513.66			$660,866.98	$660,866.98
Avery Co., Peoria, Ill.[1]	392,427.40	$287,359.25			287,359.25
Cleveland Worsted Mills Co., Cleveland, Ohio[2]	195,355.26			422,438.86	422,438.86
Pratt & Whitney Co., 111 Broadway, New York City	342,626.40	253,253.64			253,253.64
The Barrett Co. of New Jersey, New York City[1]	478,065.62	178,584.17		559,184.90	737,769.07
Morse Dry Dock & Repair Co., Brooklyn, N. Y	568,316.17	268,002.65			268,002.65
Federal Steamship Corporation, 78 Broad Street, New York City[3]	125,444.47	754,132.56			754,132.56
Dravo Contracting Co., Pittsburgh, Pa.[4]	158,869.66		$206,439.11	43,488.80	249,927.91
Weirton Steel Co., Weirton, W. Va	1,320,063.00	270,718.97	532,080.42		802,799.39
Alan Wood, Iron & Steel Co., Philadelphia, Pa	1,705,726.40	452,171.86	45,390.05	14,530.34	512,092.25
National Acme Co., Cleveland, Ohio	643,876.24	198,862.71	156,599.64		355,462.35
Aluminum Co. of America, Pittsburgh, Pa	10,378,778.56	298,570.21	510,044.21		808,614.42
Do	5,066,730.29	692,663.46			692,663.46
Rawling & Harnischfeger Co., Milwaukee, Wis.[5]	381,040.70			365,830.27	365,830.27
Stewart Warner Speedometer Corporation, Chicago, Ill.[6]	425,310.09			428,980.49	428,980.49
Great Lakes Engineering Works, Detroit, Mich	490,826.72			265,261.37	265,261.37
Andrews Steel Co., Newport, Ky	1,484,343.93	783,977.28			783,977.28
Peet Bros. Manufacturing Co., Kansas City, Kans.[6]	410,868.88	106,455.01	1,281.17	320,459.71	428,195.89
Munson Steamship Line, New York City	783,473.94			570,931.94	570,931.94
	30,520,823.23	5,417,886.88	1,516,987.74	4,522,155.44	11,457,030.06

[1] Also on account of increase in invested capital.
[2] Also on account of depreciation allowance of $229,807.92.
[3] Also on account of miscellaneous deduction allowed in the amount of $602,103.06
[4] Also on account of applying 1919 loss of $485,839.76 against 1917 income
[5] Also a deduction for error in computing inventories.
[6] Also increase in invested capital.

Mr. KING. The total amount of such refunds, credits, and abatements made under the discretionary power given the commissioner to reopen claims for amortization is not forthcoming, or, rather, has not been made public. If the time permitted, the commissioner should be requested to furnish this information to Congress, so that it could be considered in connection with the amendment I have proposed.

The most vicious thing in connection with this whole amortization question has been that the law was left wide open as to the discretion of the commissioner in allowing amortization deductions and redetermining and adjusting taxes for the years from 1918 to 1924. The actual administration of the law has been left to section chiefs and subordinates, each of whom seems to have pursued his own particular method of fixing up these claims. No such control was exercised by those in authority which would have brought uniformity or equality in the administration of the act. Cases were settled upon flagrantly inequitable bases by which the Government was defrauded of millions of dollars of taxes and the grossest kinds of inequities perpetrated as between corporate taxpayers.

The ingenuity of crafty accountants was enlisted to the limit to present inflated claims in the most plausible aspect, and the most skillful tax agents obtainable were permitted to haggle and negotiate for the settlement of these claims with the less expert or indifferent employees of the Government. Facilities having no relation to each other were lumped together in amortization claims which made it impossible to consider the claim of any particular facility or equipment for amortization as a war facility. It was not until August, 1923, that a ruling was handed down by the then Solicitor of Internal Revenue in the J. I. Case Threshing Machine Co. case, which held that a claimant corporation was not entitled to the amortization of so-called war facilities which had been continued in full use since the war, and which had, in fact, been added to and expanded to accommodate the postwar business of the company. Even this ruling was not published until November 3, 1924, which was nearly 15 months after the decision was made and eight months after the expiration of the period within which redetermination of amortization allowances could be made, which had been fixed by the act at March 3, 1924. The decision in this case, while wholesome in itself, was rendered nugatory as far as its application to other cases was concerned by the lassitude or willful negligence of officials in the bureau in failing to publish the decision and make it available for application in other cases pending in the bureau and for the information of the public. In cases involving allowances of over $500,000 made by the appraisal section up to April 30, 1925, amortization deductions in the sum of $425,921,945.92 had been allowed, of which more than $210,000,000 consist of allowances which can not be supported by the solicitor's opinion or justified upon sound engineering principles.

In the group of corporations which received amortization allowances of $500,000 or over there are $253,120,717.15 of these allowances involved in cases which are in such legal status that they may be reopened and the findings corrected. This should be done for the protection of the Government and to retrieve some of the taxes which have been lost or remitted because of the maladministration of the law.

The largest single claim for amortization was that filed by the United States Steel Co., in the sum of $86,411,952.61, of which the commissioner allowed $55,063,312.60. This case is not technically closed, and it is asserted that not more than $27,136,899.99 may properly be allowed. The allowance made is double that which should have been made, and the amount claimed is about treble that to which the Steel Corporation was entitled.

The Steel Corporation has been given allowances covering the amortization of the costs of facilities which were contracted for, and in some cases installed prior to, April 6, 1917, the date fixed by Congress for the initiation of amortization claims. The Steel Corporation was allowed amortization in the specific amount of $2,789,185.49 on account of common-carrier railroads, whose stock it owned, notwithstanding the fact that the law did not contemplate amortization of the cost of railroad construction or equipment, and notwithstanding the fact that the United States District Court for the Eastern District of Virginia had ruled in Hampton and Langley Field Railroad Co. *v.* Noel, collector (300 Fed. 438), that the claimant railroad company was not entitled to amortize the cost of its road between Hampton and Langley Field, Va. These United States Steel Co. railroads were allowed amortization merely because their stock was owned by the Steel Corporation and for no other reason.

A group of six other corporations owning the stock of common-carrier railroads were also improperly allowed amortization deductions in the sum of $1,557,036.30.

Another group of four corporations was allowed amortization deductions in the sum of $2,418,755.99 covering pipe lines, which was also a subject of amortization not included in the law.

Another group of eight corporations was allowed amortization deductions on dwelling houses in the sum of $4,426,821.67.

Another group of 11 corporations was allowed amortization deductions on tank, refrigerator, and gondola cars in the sum of $4,777,917.

Another group of 16 corporations was allowed amortization on the value of land in the sum of $2,664,007.71. It certainly was not intended by Congress that amortization covering the depreciation of land values should be deducted from gross income, thus avoiding the payment of taxes on the amount deducted. If this had been the intent of Congress, every farmer in the Middle West or in other parts of the country who purchased land at inflated values to produce crops for war uses, and who sustained losses by reason of the settling of these land values to more normal levels, could claim amortization deductions.

The foregoing examples of improper and, indeed, illegal allowances were discovered by the staff of the committee appointed by the Senate to investigate the Bureau of Internal Revenue. The specifications of these cases will be found in the printed report of the committee. They were found among

the cases in which allowances in excess of $500,000 had been made. There were only 168 corporations in this class. The total number of corporations filing claims was 3,334.

The manipulation of the accounts of the United States Steel Co. and the improper allowances made for the benefit of that corporation alone deprived the Government of over $21,000,000 in taxes.

The discovery and revelation of the facts as affecting the amortization allowances made to the United States Steel Corporation presented such a flagrant case of abuse of the law, that the present Solicitor of Internal Revenue in a well-reasoned opinion announced and published October 26, 1925, reopened the case involving the United States Steel Corporation's claims for amortization and announced more rational and sound principles for the determination of these claims in pursuance of which it is hoped that $27,000,000, or one-half of the amount heretofore allowed, will be vacated in the final award. But the redetermination of the case of the United States Steel Corporation does not mean that other cases will be reopened or that this opinion will be effective to correct and vacate the great volume of improper amortization allowances which are known to have been made or to retrieve for the Government tens of millions of taxes of which it has been deprived by an improper and, indeed, illegal application and administration of the law.

In the cases where corporations installed facilities or equipment for the production of war materials, and found upon the conclusion of the war that these facilities were not adapted to use in the regular peace business of the corporation, and the corporation has in fact discarded such facilities, there can be no question but that the corporation, under the law, was entitled to amortize the cost of such equipment, less its salvage value. And where this has been done and the allowance of a corresponding amortization deduction has been made from otherwise taxable income, no question has been raised as to the propriety of such deduction. The committee investigating the Bureau of Internal Revenue did not question any such deductions. But in cases where corporations have merely abandoned old, worn-out, and obsolete equipment, or have bought up the plants of competing corporations to put them out of business, and thus be rid of their competition, or have merged and consolidated existing plants and structures in one ownership, in none of which cases was the productive capacity of the country increased for the service of the war, it can not be said that amortization deductions are proper in these cases under the guise of amortizing the cost of increased war facilities. Some of these combinations of corporate properties were taken over at their values as going concerns, and these properties were then scrapped at their salvage values, and a claim put in for amortization of the difference in these values, although the action taken contributed in no wise to the prosecution of the war as such, and the expenditure or cost of the properties was in no wise the cost of new, additional, or increased war facilities.

Practically all of the corporations making claims for amortization allowances extended their regular plant and equipment during the war years. These expansions, however, were in the nature of extensions of the normal facilities and equipment of the corporation and resulted merely in an enlarged capacity for the production of commodities within the regular line of the corporate activities. In many of these cases the corporations concerned have not only continued in use in their regular postwar business the facilities and equipment the cost of which they have been allowed to amortize, but they have actually added new equipment and structures of the same character to accommodate their postwar business. The facts show that the production of many of the corporations involved in these amortization claims has been increased and is increasing. The United States Steel Corporation, for example, since the close of the war has made capital charges under the head of new plant expenditures which have exceeded its war expenditures under the same head. In many cases facilities claimed to be amortizable because of excess capacity have been duplicated by additions to plant made since the war.

The Atlas Crucible Steel Co., for example, was allowed amortization deductions based upon alleged surplus capacity resulting from war expansion, although this corporation had in fact increased its postwar capital expenditures for facilities of the same nature upon which amortization was claimed and allowed.

The Firestone Tire Co., for further example, claimed amortization because of an alleged surplus of capacity resulting from war expansion, notwithstanding the fact that this corporation had large postwar capital expenditures to increase plant capacity.

The Aluminum Co. of America had greater production in 1923 than it had in 1919, yet this company has been allowed amortization deductions from otherwise taxable income in the amount of $15,589,614.39, based upon a finding of 44 per cent surplus capacity.

I will not enter into a discussion of the technical rules and ratios of normal costs to war costs which have been applied by some bureau engineers in determining amortization claims submitted to them except to quote this observation from the report of the committee which investigated the bureau:

> Each individual engineer appears to have been permitted to follow his own whim as to whether a taxpayer should be allowed the loss due to reduced replacement costs in addition to the loss due to reduced value in use. Some engineers followed the consistent policy of allowing amortization upon both reduced value in use and reduced replacement costs. Some engineers allowed amortization for reduced value in use only when it exceeded the loss due to reduced replacement cost, and in such event applied the value-in-use percentage to the war cost. Other engineers appear to have flitted from one school of thought on this subject to the other. Thus the amortization determination in the Aluminum Co. of America case and in the United States Steel case was made by the same engineer, but in the steel case amortization was based on both loss of use and on reduced replacement cost, while in the Aluminum Co.'s case it was based upon loss of use only.

In many cases estimates of future production for a portion of the postwar period have been made and applied when the facts as to the actual production for the years involved in the estimates and showing present use of the alleged surplus facilities have been ignored by the engineers passing upon the claims for amortization allowances. Cases of this character are those of the Allis-Chalmers Manufacturing Co., Aluminum Co. of America, American Rolling Mills Co., Bartlett-Hayward Co., and Colorado Fuel & Iron Co.

In some cases normal postwar capacity requirements of corporations has been based upon the single year 1921, which is known to have been a poor year, and available facts as to increased production in 1922, 1923, and 1924 have been ignored. Cases of this kind are the Allen Wood Iron & Steel Co., the Alleghaney Steel Co., Atlas Crucible Steel Co., and Camden Forge Co.

The conclusion of the committee upon these matters was thus stated in their report:

> It is therefore our position that there is no legitimate basis for the amortization of anything, except the loss on discarded facilities and the excess war cost of facilities retained in use, unless the facility retained in use is a single unit of excess size, in which case the amortization should be the difference between the cost and the postwar cost of reproduction of a facility of size adequate to meet the peak demands of the business when reasonable future expansion is duly considered.

The report also contains this general conclusion:

> An examination of every large amortization allowance fails to show a single case where amortization was allowed for the loss of value in use because of an excess number of units in which the facilities, held to constitute a valueless surplus of capacity would not be sooner or later absorbed as replacements.

The amendment which I submit is intended to correct the maladministration of the amortization provisions of the law which have been found to exist by the investigation by the Senate committee charged with that duty.

The amendment provides that deductions for amortization shall not be allowed with respect to any facility not constructed or contracted for prior to April 6, 1917; to any facility which was an operating plant when acquired by the taxpayer; to cases in which amortization was not claimed in the return filed by the taxpayer for the years 1918, 1919, 1920, or 1921; to any facility retained in postwar use by the taxpayer, except as to the difference between the cost of such facility and the cost of replacement of same as of March 3, 1924; or to cases in which the facility consists of a single individual unit the size of which exceeds the taxpayer's postwar requirements, in which case the future capacity requirements are to be considered, and the amortization allowed shall be the difference between the cost of such facility and the cost as of March 3, 1924, of acquiring a facility of proper size to meet the taxpayer's postwar requirements.

The amendment further provides that all deductions from the gross income of corporations for the years 1918, 1919, 1920, or 1921 on account of the amortization of war facilities which have heretofore been allowed, but in which a final determination of the tax has not been made at the date when the pending bill becomes an act, or which are pending before

the Board of Tax Appeals on said date, shall be redetermined in accordance with the provisions of the amendment.

This amendment has been drawn advisedly and for the definite purpose of correcting abuses of the administration of amortization allowances, which have been actually found by the investigation of the Senate committee. The amendment is designed to protect the Government, to equalize amortization allowances between corporate taxpayers, and to retrieve for the Treasury many millions of revenues of which the Government has been illegally deprived. I commend the amendment earnestly to the Senate. No partisan considerations are involved. If the amendment be viewed wholly from the standpoint of equity and justice and a vindication of the rights of the Government, the reasons calling for its enactment are convincing and conclusive.

The VICE PRESIDENT. The question is on agreeing to the amendment proposed by the junior Senator from Utah.

The amendment was rejected.

The VICE PRESIDENT. The bill is still in Committee of the Whole and open to amendment. If there are no further amendments to be proposed, the bill will be reported to the Senate.

The bill was reported to the Senate as amended.

The VICE PRESIDENT. Separate votes have been reserved on amendments relating, first, to the estate tax on page 170, by the Senator from New Mexico [Mr. BRATTON]; second, to the admission tax on page 224, by the Senator from Utah [Mr. SMOOT]; third, to the amendment after line 10, on page 334, by the Senator from Washington [Mr. JONES]. Is a separate vote desired by any other Senator on concurring in any other amendment made as in Committee of the Whole?

Mr. KING. If upon examining the RECORD it shall be discovered that there are other votes that were reserved, will our failure to so announce now preclude us from asking for a separate vote?

The VICE PRESIDENT. No. If no other separate vote is desired, the question will be taken upon concurring in the amendments made as in Committee of the Whole upon which no separate vote is reserved.

Mr. OVERMAN. I ask for a separate vote on the question of raising the taxes on corporations from 12½ per cent to 13½ per cent.

Mr. REED of Pennsylvania. In that case I ask for a separate vote on the repeal of section 700, the capital-stock tax provision.

Mr. NORRIS. I think we ought to have a separate vote on the committee amendment regarding the inheritance tax.

Mr. REED of Pennsylvania. That has been reserved by the Senator from New Mexico [Mr. BRATTON].

Mr. NORRIS. Very well.

The VICE PRESIDENT. If there is no objection, the question will be taken on concurring in the amendments upon which no separate vote has been asked. Hearing no objection, it is so ordered, and the amendments made as in Committee of the Whole upon which no separate vote has been reserved are concurred in. The question now is on concurring in the amendment to the estate-tax provision on page 170, a separate vote on which was reserved by the Senator from New Mexico [Mr. BRATTON].

Mr. ASHURST. I call for the yeas and nays.

The yeas and nays were ordered, and the Chief Clerk proceeded to call the roll and Mr. ASHURST answered in the affirmative.

Mr. DILL. Mr. President, will the Chair state the amendment so we may know what we are voting on?

The VICE PRESIDENT. The clerk will state the amendment.

Mr. SIMMONS. That would involve the reading of a very long amendment.

Mr. McKELLAR. May not the Vice President state the amendment?

Mr. HEFLIN. Some one can explain it briefly.

Mr. ASHURST. No one can explain it now, because I have responded to the roll call. The Chair can state the amendment, of course.

Mr. DILL. We have a right to know which way to vote.

Mr. REED of Missouri. I call for the reading of the amendment.

Mr. REED of Pennsylvania. A point of order. The roll call has commenced. It is not in order now to read the amendment.

Mr. SMOOT. Mr. President, a parliamentary inquiry. What is the question before the Senate?

The VICE PRESIDENT. The question is upon concurring in the amendment as in Committee of the Whole to strike out from page 170 to page 208, and insert in lieu thereof the committee amendment with reference to inheritance taxes on pages 208 to 212, as amended.

Mr. SMOOT. The question is as to whether we shall concur in the committee amendment or not.

The VICE PRESIDENT. Yes.

Mr. DILL. What I desire to know is if I vote "yea" do I vote to abolish the inheritance tax, or if I vote "nay" do I vote to abolish the inheritance tax?

Mr. REED of Pennsylvania. A vote "yea" is in favor of the repeal of the inheritance tax.

Mr. DILL. That is what I want to know.

The Chief Clerk proceeded to call the roll.

Mr. NORRIS (when Mr. BROOKHART'S name was called). The junior Senator from Iowa [Mr. BROOKHART] is paired with the junior Senator from Arkansas [Mr. CARAWAY]. If the Senator from Iowa were present he would vote "nay."

Mr. JONES of Washington (when the name of Mr. CURTIS was called). The Senator from Kansas [Mr. CURTIS] is necessarily absent on account of the condition of his health. He is paired with the Senator from Michigan [Mr. FERRIS]. If he were present, the Senator from Kansas would vote "yea."

Mr. FERNALD (when his name was called). I have a general pair with the senior Senator from New Mexico [Mr. JONES]. I transfer that pair to the senior Senator from Vermont [Mr. GREENE] and vote "yea."

Mr. FERRIS (when his name was called). I have a pair with the Senator from Kansas [Mr. CURTIS]. If I were allowed to vote, I should vote "nay." I withhold my vote.

Mr. FLETCHER (when his name was called). I have a general pair with the Senator from Delaware [Mr. DU PONT]. As he would vote as I shall vote on this question, I am at liberty to vote. I vote "yea."

Mr. HOWELL (when his name was called). I have a pair with the senior Senator from Kentucky [Mr. ERNST] and therefore withhold my vote. If I were allowed to vote, I should vote "nay."

Mr. NORRIS (when Mr. JOHNSON'S name was called). I desire to announce that the Senator from California [Mr. JOHNSON] is unavoidably absent. He is paired with the Senator from Arkansas [Mr. ROBINSON]. If the Senator from California were present, on this question he would vote "nay."

Mr. McNARY (when his name was called). I have a pair with the Senator from Maryland [Mr. BRUCE]. Not knowing how he would vote, I withhold my vote. If permitted to vote, I should vote "nay."

Mr. PEPPER (when his name was called). On this question I have a pair with the junior Senator from New Mexico [Mr. BRATTON]. I am informed that if present he would vote as I intend to vote. Therefore I vote. I vote "yea."

The roll call was concluded.

Mr. JONES of Washington. I desire to announce the following pairs:

The Senator from Illinois [Mr. McKINLEY] with the Senator from Virginia [Mr. SWANSON];

The Senator from Colorado [Mr. MEANS] with the Senator from Texas [Mr. MAYFIELD]; and

The Senator from Connecticut [Mr. BINGHAM] with the Senator from Nevada [Mr. PITTMAN].

Mr. SIMMONS. I have been requested by the Senator from Arkansas [Mr. ROBINSON] to announce that if he were present he would vote "yea."

Mr. NEELY. On this question I am paired with the senior Senator from New York [Mr. WADSWORTH]. If he were present, he would vote "yea," and if I were at liberty to vote I should vote "nay."

Mr. BLEASE. I am paired with the junior Senator from Missouri [Mr. WILLIAMS]. If he were present, he would vote "yea," and I should vote "nay."

Mr. JONES of Washington. The senior Senator from Wisconsin [Mr. LENROOT] is necessarily absent. If he were present and voting, he would vote "nay." The Senator from Vermont [Mr. DALE] is also necessarily absent. If he were present, he would vote "yea."

Mr. HEFLIN. My colleague, the senior Senator from Alabama [Mr. UNDERWOOD], is unavoidably absent. If he were present, he would vote "yea."

Mr. HOWELL. As I have stated, I have a pair with the senior Senator from Kentucky [Mr. ERNST]. I find I can transfer that pair to the Senator from Wisconsin [Mr. LENROOT]. I make that transfer and vote "nay."

The result was announced—yeas 40, nays 23, as follows:

YEAS—40

Bayard	Copeland	Fernald	Hale
Broussard	Deneen	Fletcher	Harrison
Butler	Edge	Gillett	Heflin
Cameron	Edwards	Goff	Kendrick

Keyes	Pepper	Sackett	Trammell
McLean	Phipps	Shortridge	Tyson
Metcalf	Pine	Simmons	Warren
Moses	Ransdell	Smith	Watson
Oddie	Reed, Pa.	Smoot	Weller
Overman	Robinson, Ind.	Stanfield	Willis

NAYS—23

Ashurst	Glass	La Follette	Reed, Mo.
Capper	Harreld	McKellar	Sheppard
Couzens	Harris	McMaster	Shipstead
Dill	Howell	Norbeck	Walsh
Fess	Jones, Wash.	Norris	Wheeler
Frazier	King	Nye	

NOT VOTING—33

Bingham	Dale	Jones, N. Mex.	Schall
Blease	du Pont	Lenroot	Stephens
Borah	Ernst	McKinley	Swanson
Bratton	Ferris	McNary	Underwood
Brookhart	George	Mayfield	Wadsworth
Bruce	Gerry	Means	Williams
Caraway	Gooding	Neely	
Cummins	Greene	Pittman	
Curtis	Johnson	Robinson, Ark.	

So the committee amendment was concurred in.

The VICE PRESIDENT. The question is on concurring in the committee amendment proposing to strike out Title V, on page 224, relative to the tax on admissions and dues.

Mr. REED of Pennsylvania. I ask for the yeas and nays.

The yeas and nays were ordered, and the Chief Clerk proceeded to call the roll.

Mr. COPELAND (when his name was called). On this question I have a pair with my colleague the senior Senator from New York [Mr. WADSWORTH]. If he were here, he would vote "nay"; and if I were permitted to vote, I should vote "yea."

Mr. FERNALD (when his name was called). Making the same announcement as before relative to my pair and its transfer, I vote "nay."

Mr. FERRIS (when his name was called). Making the same explanation as before as to my pair, I withhold my vote.

Mr. FLETCHER (when his name was called). Announcing my pair with the Senator from Delaware [Mr. DU PONT], as on the previous vote, I desire to say that I am advised that if present the Senator from Delaware would vote on this vote as I intend to vote. Therefore I am at liberty to vote, and I vote "nay."

Mr. PEPPER (when his name was called). I am paired with the junior Senator from New Mexico [Mr. BRATTON]. Not knowing how he would vote on this question, I withhold my vote.

The roll call was concluded.

Mr. PEPPER. I find that I can transfer my pair to the junior Senator from Idaho [Mr. GOODING]. I am therefore at liberty to vote. I vote "nay."

Mr. COPELAND. I announced that I had a pair with my colleague [Mr. WADSWORTH]; but I find that I can transfer that pair to the senior Senator from Alabama [Mr. UNDERWOOD]. I do so and vote "yea."

Mr. BLEASE. I find that I can transfer my pair to the Senator from Mississippi [Mr. STEPHENS]. I do so and vote "yea."

Mr. FERRIS. I find that I can transfer my pair to the Senator from Nevada [Mr. PITTMAN]. I do so and vote "yea."

Mr. McNARY. Upon this amendment I feel that I can disregard my pair, and with that understanding I shall vote. I vote "yea."

Mr. HOWELL. I have a pair with the senior Senator from Kentucky [Mr. ERNST], and therefore withhold my vote. If I were at liberty to vote, I should vote "yea."

Mr. JONES of Washington. I desire to announce that the senior Senator from Kansas [Mr. CURTIS] is necessarily absent on account of ill health. He is paired with the Senator from Michigan [Mr. FERRIS]. If present and voting, the Senator from Kansas would vote "nay."

I also desire to announce that the Senator from Vermont [Mr. DALE] is necessarily absent. If present, he would vote "nay."

I also desire to announce that the Senator from California [Mr. JOHNSON] is necessarily absent. He is paired with the Senator from Arkansas [Mr. ROBINSON]. If present, the Senator from California would vote "yea."

Mr. SIMMONS. I desire to announce that the Senator from Georgia [Mr. GEORGE] is absent. If he were present, he would vote "yea." I also desire to announce that he would have voted "yea" upon the last amendment, with reference to the estate tax.

Mr. JONES of Washington. The junior Senator from Iowa [Mr. BROOKHART] is necessarily absent. He is paired with the junior Senator from Arkansas [Mr. CARAWAY]. If present, the Senator from Iowa would vote "yea."

Mr. SHEPPARD. If my colleague, the junior Senator from Texas [Mr. MAYFIELD], who is absent on account of illness, were present, he would vote "yea."

Mr. JONES of Washington. I desire to announce the following general pairs:

The Senator from Illinois [Mr. MCKINLEY] with the Senator from Virginia [Mr. SWANSON]; and

The Senator from Colorado [Mr. MEANS] with the Senator from Texas [Mr. MAYFIELD].

The result was announced—yeas 40, nays 27, as follows:

YEAS—40

Ashurst	Ferris	McKellar	Sheppard
Bayard	Frazier	McMaster	Shipstead
Blease	Gerry	McNary	Simmons
Broussard	Harreld	Neely	Smith
Capper	Harris	Norbeck	Stanfield
Copeland	Harrison	Norris	Trammell
Couzens	Heflin	Nye	Tyson
Dill	Kendrick	Overman	Walsh
Edge	King	Phipps	Weller
Edwards	La Follette	Ransdell	Wheeler

NAYS—27

Butler	Glass	Moses	Sackett
Cameron	Goff	Oddie	Shortridge
Deneen	Hale	Pepper	Smoot
Fernald	Jones, Wash.	Pine	Warren
Fess	Keyes	Reed, Mo.	Watson
Fletcher	McLean	Reed, Pa.	Willis
Gillett	Metcalf	Robinson, Ind.	

NOT VOTING—29

Bingham	Dale	Jones, N. Mex.	Stephens
Borah	du Pont	Lenroot	Swanson
Bratton	Ernst	McKinley	Underwood
Brookhart	George	Mayfield	Wadsworth
Bruce	Gooding	Means	Williams
Caraway	Greene	Pittman	
Cummins	Howell	Robinson, Ark.	
Curtis	Johnson	Schall	

So the amendment made as in Committee of the Whole was concurred in.

The VICE PRESIDENT. The Chair understands that the Senator from Washington [Mr. JONES] withdraws his request for a separate vote upon the next amendment.

Mr. JONES of Washington. I do.

The VICE PRESIDENT. The bill is in the Senate and open to amendment.

Mr. NORRIS obtained the floor.

Mr. SMOOT. Mr. President, was that amendment agreed to?

The VICE PRESIDENT. It was agreed to as in Committee of the Whole.

Mr. SMOOT. Did the Chair announce that the amendment was concurred in?

The VICE PRESIDENT. Without objection, the amendments made as in Committee of the Whole will be concurred in.

Mr. REED of Pennsylvania. Mr. President, in order that there may be no misunderstanding, I think the RECORD ought to show that the Senator from North Carolina [Mr. OVERMAN] withdraws his request for a separate vote on the corporation income tax and that I withdraw my request for a separate vote on the capital-stock tax; and I ask unanimous consent that the votes whereby those amendments were agreed to as in Committee of the Whole may be considered as concurred in.

Mr. REED of Missouri. Mr. President, there is some confusion here. I am not sure that I understood the Senator.

Mr. REED of Pennsylvania. The Senator from North Carolina reserved a separate vote on the corporation income tax.

Mr. HEFLIN. Mr. President, the Senator is now asking that these amendments which were agreed to as in Committee of the Whole be concurred in?

Mr. REED of Pennsylvania. Just that the action of the Committee of the Whole be concurred in.

The VICE PRESIDENT. Is there objection?

Mr. REED of Missouri. Is this another coalition?

Mr. REED of Pennsylvania. No.

Mr. FESS. The same thing should be done with the amendment offered by the Senator from Washington.

Mr. REED of Pennsylvania. That has been done.

The VICE PRESIDENT. That has already been concurred in, without objection.

Mr. FESS. He withdrew the request for a separate vote, but there has been no action upon it.

The VICE PRESIDENT. It was done by unanimous consent. The amendment by the Senator from Washington was concurred in, without objection. Without objection, the amendments upon which separate votes were asked and the requests withdrawn will be concurred in.

Mr. COPELAND. Mr. President, what became of the amendments to section 600, the excise taxes? Were they concurred in?

The VICE PRESIDENT. They were concurred in.

Mr. NORRIS. Mr. President, I offer the amendment which I send to the desk.

The VICE PRESIDENT. The amendment will be stated.

The CHIEF CLERK. On page 39 it is proposed to strike out lines 10 to 12, inclusive, and to insert:

Eleven thousand six hundred and sixty dollars upon net incomes of $100,000; and upon net incomes in excess of $100,000 and not in excess of $200,000, 20 per cent in addition of such excess.

Thirty-one thousand six hundred and sixty dollars upon net incomes of $200,000; and upon net incomes in excess of $200,000 and not in excess of $400,000, 21 per cent in addition of such excess.

Seventy-three thousand six hundred and sixty dollars upon net incomes of $400,000; and upon net incomes in excess of $400,000 and not in excess of $600,000, 22 per cent in addition of such excess.

One hundred and seventeen thousand six hundred and sixty dollars upon net incomes of $600,000; and upon net incomes in excess of $600,000 and not in excess of $800,000, 23 per cent in addition of such excess.

One hundred and sixty-three thousand six hundred and sixty dollars upon net incomes of $800,000; and upon net incomes in excess of $800,000 and not in excess of $1,000,000, 24 per cent in addition of such excess.

Two hundred and eleven thousand six hundred and sixty dollars upon net incomes of $1,000,000; and upon net incomes in excess of $1,000,000, in addition 25 per cent of such excess.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Nebraska.

Mr. NORRIS. Mr. President, this amendment has not heretofore been offered or voted on in the debate in the Committee of the Whole. The bill as amended in Committee of the Whole provides for progressive taxes up to incomes of $100,000. It then provides that all incomes in excess of that shall be taxed 20 per cent. This amendment commences with incomes of $100,000, and goes on in progressive steps from incomes of $100,000 to incomes of $1,000,000, ending with 25 per cent on all net incomes above $1,000,000.

We voted in the Committee of the Whole on a similar amendment that started at the same place and ended at the same place, but with a progressive rate ending with 30 per cent. This amendment has a maximum of 25 per cent. The 25 per cent applies only to net incomes in excess of $1,000,000.

I am not going at length over the discussion of the question of the wisdom of stopping at $100,000; but I never could understand, and I do not believe anybody else understands, if we are going to have a progressive income tax at all, why we should stop with incomes of $100,000 when there are so many incomes that exceed $100,000. There was given the other day by the Senator from Michigan [Mr. COUZENS], I believe, the number of incomes in excess of $100,000. I have forgotten the number. Does the Senator remember?

Mr. COUZENS. There were at least 4,063.

Mr. NORRIS. The result of the committee bill, as we have it now, is that all persons receiving an income of a million dollars have their income tax reduced 44 per cent. The very place where an income tax can be paid without a burden, where it can be paid easily, where it can be paid without any hardship, is the place where we relieve them to the greatest extent from taxation.

The income of a man of $50,000, as I remember—perhaps it was $46,000—is reduced by this bill 27 per cent, or something of that kind. At least, the great reduction comes to the man with the million-dollar income. If we are going to levy a tax on the theory that we will levy it where it will be the least burdensome, I can see no reason why we should stop with $100,000.

Now, I would like to say just a word to Senators on the other side of the aisle. We have heard over and over again the story which brought about this coalition between the Democrats and Republicans on the Finance Committee. It has been told over and over again, until we are familiar with it, and we all know that the first proposition which the Democratic minority on that committee had, when they went to the majority, was that they were going to stand for a maximum rate of 25 per cent.

Mr. SIMMONS. No; 25 per cent unless the majority agreed to a reduction.

Mr. NORRIS. Very well, put it that way; 25 per cent unless the majority agreed to the reduction on the men who are getting small incomes, namely, incomes between $26,000 and $100,000.

Mr. SIMMONS. $24,000 and $100,000.

Mr. NORRIS. But the maximum which the Democrats had in mind was 25 per cent. We must not believe for a moment that they did not honestly think that 25 per cent was a good maximum to fix upon and was a fair rate to settle upon as a maximum.

Mr. SIMMONS. Mr. President, the Senator does not wish to misrepresent the minority.

Mr. NORRIS. Oh, certainly not.

Mr. SIMMONS. Certainly not. I stated the other day that there were seven members of the minority; that when we met to consider this matter four of them were opposed to raising the maximum above 20 per cent, three wanted to go to 25 per cent; and that we compromised among ourselves by the agreement that we would stand for 20 per cent provided the majority accepted our proposition. That was the concession which they made to me.

Mr. NORRIS. And if they did not accept it, then the minority were going to stand for 25 per cent.

Mr. SIMMONS. If they did not accept it, we were going to stand for 25 per cent. We compromised the matter, and we agreed to stand for the 20 per cent.

Mr. NORRIS. If the majority did not accept their proposition, then they were going to stand for a maximum of 25 per cent. Of course nobody for a moment would accuse those minority Members of standing for something which they did not believe to be right and fair. Now is their chance to get it—right now. With the Democratic Party over there united for a 25 per cent maximum on incomes in excess of $1,000,000, I guarantee them enough votes over here to put it over right now, on this coming roll call.

The Senator from North Carolina had quite a difficult job on his hands to keep all of the Democrats over there from voting for 25 per cent, and even 30 per cent. I think there would have been enough votes if it had not been for the wonderfully eloquent plea which the Senator from North Carolina made to his Democratic brethren.

Mr. SIMMONS. Mr. President——

The VICE PRESIDENT. Does the Senator from Nebraska yield to the Senator from North Carolina?

Mr. NORRIS. I yield.

Mr. SIMMONS. I want to say to the Senator what I said the other day, and then I shall not interrupt him any more upon this point.

I was impelled to yield my views about that matter, because I became satisfied, from the statements made to me by the leader of the Democratic Party on this side of the Chamber, and by other Members, before the minority Members met, that a large percentage of Democratic Senators were in favor of not going above 20 per cent.

Mr. NORRIS. I am not contradicting that at all, but the Senator's restatement of it makes it necessary for me to make a restatement, and I say that, after all, when all is said and done, the Democratic minority came to the Republican majority and said, "Unless you agree to what we want on these reductions, we will stand for a maximum of 25 per cent." I am going on the theory that they would not stand for anything they thought was wrong, or which they thought would do an injury to the country, or to any of the people in it.

I repeat, it took all the eloquence of the Senator from North Carolina, assisted by the eloquent Senator from Mississippi, to keep the Democrats from voting for our amendment over here, in which we presented a maximum even of 30 per cent. But when the Senator from North Carolina plead with the minority in his plaintive tones and with his great eloquence, in a sort of "Help me Cassius or I sink" attitude, his brethren, of course, came to his succor and to his relief.

If Democratic Senators still believe that 25 per cent is all right on an income of a million dollars, I repeat, now is the time to get it. We have the votes to deliver to have that adopted.

Mr. President, I am informed that this amendment will produce about $10,000,000 of additional revenue. Who can go before this country and defend his attitude here, admitting that we sought to give the man who had an income of a million dollars the same rate given to the man with an income of $100,000? There is no justice in it, there is no fairness in it. It can not be defended logically anywhere at any time.

Without going over it at any length, I submit the amendment now to the Senate, to see whether the Senate is going to let the man with a million-dollar income have imposed on him the same rate of taxation placed upon the man with an income of only $100,000.

Mr. SIMMONS. Mr. President, this is an amendment to raise the surtaxes on incomes above $100,000. I want to state to the Senate a fact which has not been stated heretofore, that the surtaxes are not the only taxes which have been reduced in this bill. We have discussed the surtaxes, but we have not discussed the normal taxes at all. The

House dealt with the normal taxes and we accepted the House action with respect to the normal taxes.

Under the normal tax rate prescribed in the bill as it passed the House there will be a reduction in normal taxes of $93,450,000. Of that reduction $90,000,000 will go to benefit taxpayers whose incomes are less than $100,000, and only $3,400,000 of that reduction of $93,000,000 will go to the benefit of taxpayers whose income exceed $100,000.

The result of the House action reducing normal taxes to the extent of $93,000,000 is that the taxpayers with incomes under $100,000 will get the benefit of a reduction of $90,000,000, while those whose surtaxes are now sought to be increased get the benefit of only $3,000,000.

Mr. HEFLIN. Mr. President, this bill ought to pass to-night. The Senate ought to remain in session until it is passed. Unless it is passed by to-morrow night, it is very doubtful whether it will go into effect in time to affect the income-tax returns which must be filed by March 15.

If this bill is not now passed, it will be due to a filibuster, which may be conducted in order to bring about that situation. That should not occur. We have gone over these provisions time and time again. Speeches that have been made to-night in substance have been made before a dozen times and more. We ought to get action to-night.

I do not complain if the Senator from Nebraska, or any other Senator, wants to have a record vote upon any amendment he desires to offer. If they want the RECORD to show that this proposition or that was offered, or that the Senate took this position or that, no one can object.

I am not objecting to fair and legitimate debate. I do not want to cut off any Senator who has something to say upon a subject that is new, something that has not been thrashed out time and time again. That is all right. But the Senator from Nebraska, nearly every time he takes the floor, challenges the Senator from North Carolina to explain again some sort of a proposition, an agreement that was entered into, in order to get the tax off the smaller taxpayers.

The Senator from Nebraska has long posed here as the friend of the common man, as the friend of the plain people in the common walks of life, and the whole burden of his speeches has been against the Senator from North Carolina for entering into an agreement by which we took off the smaller taxpayers more than $20,000,000 in taxes, and wiped off the tax books entirely two and a half million people who were paying Federal taxes, who, under this bill, will go scot free and pay no more Federal taxes until some time in the future, maybe when some emergency may arise which will bring their names back upon the list of taxpayers.

I have not heard the Senator from Nebraska congratulate the minority Members, on the Democratic side, for achieving this wonderful and remarkable thing of reducing the taxes of those who still remain upon the tax rolls by millions, and taking off the lists two and a half million people who will pay no more taxes. But the Senator continues to harp upon an agreement by which some big taxpayers were in a measure relieved.

I want to remind the Senator from Nebraska that the Scripture tells us that the Master himself said that it were better for 99 guilty persons to go free than for 1 innocent man to suffer.

So, if we have taken the taxes off 2,500,000 who ought not to pay taxes at all, I submit to the eloquent Senator from Nebraska that it were better that a few rich men should get away with a little of their taxes taken off than for the poor taxpayer to pay burdensome taxes. I simply throw out this suggestion to-night in order to expedite the business of the Senate. The country is waiting for action upon this very important tax bill. The country has a right to ask that action be had at an early date. I hope that the Senate will remain in session to-night until we pass the bill. I want to repeat before I sit down that if any Senator has a new proposition that he wants to submit and has a new argument that he wants to make, I would be glad to stay here until daylight to hear it and to stay here to vote on all amendments, one after another. But I should dislike and I should exceedingly regret to see an effort made now to hold up the Senate.

I want to repeat that, as has already been said by those who know how soon the bill must be enacted in order to get it into effect by the 15th of March, that if we do not pass the bill to-night or to-morrow it has been suggested that we will be compelled to stay here Saturday night and Sunday and, it may be, Sunday night. I am not going to be a party to any filibuster that will bring about anything like that. I hope to see the bill passed to-night.

Mr. BLEASE. Mr. President, I would like to ask the Senator from Alabama a question. I would like to know how much this bill saves the Duke estate and the members of the Duke family

Mr. HEFLIN. I do not know, but I know that Mr. Duke has done a great deal of good with some of the fortune that he accumulated by providing for the education of the boys and girls of North Carolina.

Mr. BLEASE. I think that the man who takes care of the boys and girls of any one State to the detriment of the Nation does not deserve very much praise.

Mr. HEFLIN. The education of the boys and girls in any State is a contribution to the educational interests of all the States. An educated man in any State is of value to all the States. An educated girl in any State is of value to all the States. I do not propose to go into a discussion of that question. Mr. Duke has gone to his reward, and I simply reply to the Senator from South Carolina by saying that he has done a great deal of good with a great deal of the wealth that he accumulated.

Mr. BLEASE. I hope I am mistaken in what Mr. Duke's reward is. [Laughter.]

Mr. REED of Missouri. Mr. President, I know of no filibuster on the bill that has been attempted. I know of none that is going to be attempted. When it comes to the matter of the consumption of time I think the Senator from Alabama is always close enough to me to get my dust. When it comes to the question of saying new things and never saying any old things over again, I think that some of us will recall the same speech that was made on the Federal reserve bank for about 99 days in succession, in eloquent periods all the same, until when the Senator from Alabama rose in his place we all knew that the Federal reserve banks were going to be discussed, every bank president put on his overcoat and ear mufflers and prepared to shiver, and the stumps in the Potomac River bobbed up and down in unison with his periods.

Notwithstanding the warning that has been issued, I am going to take a few minutes to discuss the bill. I do not expect to enlighten the Senator from Alabama. Perhaps I will not enlighten anybody, but what I have to say I am going to say with the kind indulgence of the Senate.

Mr. President, figures have been given here that widely vary. I accuse nobody of having intended to give any false or misleading figures. A difference in figures frequently results from the different angles from which the proposition is submitted. The junior Senator from Nebraska [Mr. HOWELL] is an engineer and an expert accountant. With all respect in the world for the experts of the Treasury, who have worked assiduously here and who are all good men, I am inclined to take the figures of the Senator from Nebraska as accurate.

Here is a brief analysis of the results of the bill: There are 5,694 persons reporting taxes on incomes in excess of $100,000. Those 5,694 persons obtained a reduction by the pending bill in personal taxes of $120,500,000. The estate tax reduction figured by the Senator from Nebraska will amount to $90,000,000, not in any one year. I am talking about the aggregate result which comes. The retroactive sections of the bill he estimates at $60,000,000, the gift taxes at $4,500,000. This is a grand total of $725,000,000 to be saved to 5,694 persons, or an average of about $48,000 each.

Mr. SIMMONS. Mr. President, may I interrupt the Senator?

The VICE PRESIDENT. Does the Senator from Missouri yield to the Senator from North Carolina?

Mr. REED of Missouri. Certainly.

Mr. SIMMONS. I think the Senator will have to add to that $93,000,000 reduction in normal taxes. One hundred and twenty-six million dollars is the reduction in surtaxes and $93,000,000 in normal taxes.

Mr. REED of Missouri. Yes.

Mr. SIMMONS. The Senator did not have that in his enumeration, and I thought possibly he would like to have the figures.

Mr. REED of Missouri. Approximately 4,085,000 taxpayers pay taxes on incomes under $100,000. They obtain a reduction of $201,500,000, or about $49 each.

Mr. President, I realize that we have come to the point of tax reduction, which is a blessing everyone devoutly welcomes. The question is where and how the tax reduction should be made. I now call to mind the fact that three years ago the Secretary of the Treasury made his recommendation for tax reduction. I am not going to burden the Senate with the figures, for I expect to be brief. Speaking broadly, his recommendation at that time was for tax reductions, and his special recommendation was for a reduction upon the surtaxes on incomes in excess of $68,000.

Upon that proposition we took issue. The Secretary of the Treasury argued that we must reduce the surtaxes upon the large incomes for various reasons, among others that they

were investing their earnings in tax-exempt securities; that they were failing to make true returns; that they were placing their property by various devices in a position to escape taxes; and that we would get more taxes from them if we reduced the rate of taxation.

The Democrats took issue with the Secretary of the Treasury. We said there should be tax reductions. We were willing to concede some reduction on the great incomes, but we were not willing to let the bill pass in the form that Mr. Mellon recommended, insisting that the larger percentage of reductions should be made upon moderate incomes and small incomes. Upon that issue we fought it out on the floor of the Senate.

The Democrats substantially as a unit stood by the doctrine that the large incomes should bear a lessened burden, but still a much greater burden than the Secretary of the Treasury wanted to impose, and that the benefit of the reductions should chiefly go to those of smaller incomes. There were eloquent speeches made in defense of this position taken by the Democrats. No man more valiantly defended that position than did the distinguished ranking minority member of the Finance Committee, the senior Senator from North Carolina [Mr. SIMMONS], and the distinguished orator on the Democratic side, the Senator from Mississippi [Mr. HARRISON], and the Senator, equally distinguished, from New Mexico [Mr. JONES]. I quote from a speech of the Senator from North Carolina [Mr. SIMMONS] made on September 30, 1921:

I shall attempt to show that the revision proposed in the pending bill is a reduction in the interest of the corporations of the country and in the interest of the big rich, or, to express it in common parlance, in the interest of the millionaire class. I shall attempt to show that it will lift more than half a billion dollars in taxes off the shoulders of corporations and the millionaires and shift that sum to the shoulders of less fortunate taxpayers.

As I have said, the recommendations of Mr. Mellon with reference to repeals were adopted by the House and concurred in by the Senate Finance Committee. The result of adopting this scheme, slightly supplemented by certain taxes that fit in with the scheme and are calculated to accomplish the purposes of the scheme, will be to reduce by between $500,000,000 and $600,000,000 the taxes which otherwise corporations and individuals whose income exceeds $66,000 would have to pay.

Mr. President, that $66,000 income is the dead line of the bill. On one side of that line are formed in serried columns the forces of the millionaire classes of the country. On one side—the upper side—of the line are arrayed 13,000 taxpayers. I say they are the millionaire class, because it will take a million dollars earning 6½ per cent to produce an annual income of $66,000, so that, tested by the basis of reasonable interest-bearing investments, the men who stand on the upper side of that line are millionaires. There are 13,000 of them in the United States, as the tax returns will show. On the other side, the lower side of that dead line, there are grouped 600,000 American taxpayers.

Surtaxes have been reduced from 65 per cent to 32 per cent. They have come down to the dead line in that way, and what is the result? Let the estimate of the Treasury experts state the result. The result, Mr. President, is that these 13,000 taxpayers on the upper side of that line, reveling already in their accumulations and their wealth and their power to control finance and government, by this reduction in the surtaxes are to get a further reduction in their taxes, a little stipend from the people of the United States of $90,000,000 a year, while those 600,000 taxpayers earning between $5,000 and $66,000 a year by toil, investment, and all the efforts which characterize the miscellaneous population of the country get a reduction of only $18,000,000 on account of the surtax.

Is not that a monstrous result? Oh, but it is worse than that. Consider now the rich. Every single, solitary man who stands on the upper side of that line—this mobilized army of millionaires that has just finished its successful drive against Congress and the National Treasury—has got his surtax rate cut. How much has it been cut? Mr. President, the figure is startling. It has been cut more than one-half; it has been reduced to 32 per cent from 65 per cent. Every one of them, every mother's son of them, gets his surtax cut more than one-half. That is the millionaire class, who, when the members of it want their taxes cut down, becomes a beggar class, begging alms of the Government and of the hundred million of people of this country. They get their surtax cut in half—from 65 per cent to 32 per cent.

Mr. LA FOLLETTE. Mr. President, will the Senator from Missouri yield there?

Mr. REED of Missouri. Yes.

Mr. LA FOLLETTE. From whose speech has the Senator from Missouri been reading?

Mr. REED of Missouri. I have just read from the speech of the Senator from North Carolina [Mr. SIMMONS].

I shall now read from a speech by the Senator from Mississippi [Mr. HARRISON]. I quote him, not to single him out, neither am I trying to single out my friend from North Carolina; but I am speaking of these distinguished and leading Democrats in order to show the position of the Democratic Party at that time. The Senator from Mississippi said:

The Mellon plan takes it off of the rich and puts it upon the poor. The so-called Garner plan takes the taxes off to a greater extent from 6,670,000 income-tax payers, while the Mellon plan takes it off of only 12,000. Whom did the President have in mind when he said:

"They bear most heavily upon the poor."

* * * * * * *

Let me, in passing, just make this suggestion: If this administration is sincere, if Secretary of the Treasury Mellon wants to give some relief to the taxpayers of the country, and if you want to make a record to go before the people in the coming campaign, do not seek to reduce the high surtaxes from 50 per cent to 25 per cent, but get busy and try to take off some of those iniquitous tariff rates on sugar and meat and flour and the other necessaries of life. That would insure a reduction not only in taxes but in the cost of living.

* * * * * * *

The Mellon plan gives a reduction of taxes all down the line, but the Democratic plan gives a greater reduction of taxes all down the line except on the 12,000 big fellows who pay the high surtaxes, and on those it seeks to give a very fair and equitable reduction.

The Senator from New Mexico [Mr. JONES] said:

* * * I call attention further to the fact that the only point which really brought out the fire and the enthusiasm of the distinguished Senator from Utah is the same point which has been dwelt upon with such vigor and such insistence by the Secretary of the Treasury. The Senator from Utah did not in anywise attempt to put his real force and power into the delivery of his prepared speech until he reached the point where he insisted that the high surtaxes should be cut in half. Likewise the head of the Treasury in every interview, in every prepared statement, in his testimony as a witness before the Finance Committee, has dwelt upon that point as the one panacea for all the ills which afflict this country.

* * * Mr. President, the underlying view of the leaders of the Republican majority in the Senate and the underlying view of this administration, as suggested by the Secretary of the Treasury, have been precisely the same from the time this administration came into power in 1921. Soon after the Congress met in 1921 the Finance Committee of the Senate, controlled by the same majority which yet controls this body, undertook a revision of the revenue law. At that time the high surtaxes amounted to 65 per cent. We were just emerging from the Great War. At that time the Secretary of the Treasury recommended that the high surtaxes be reduced by more than 50 per cent.

Finally the House of Representatives, complying with that wish of the Secretary, reduced the surtaxes to 32 per cent, or a little more than one-half. The bill came over to the Senate, and the Finance Committee through its majority reported to the Senate a reduction of those surtaxes from 65 to 32 per cent.

It is true the bill then came into the Senate, and on the floor of the Senate the recommendations of the Treasury Department were repudiated, and the House of Representatives subsequently receded from its action and adopted the view of the Senate, and the maximum surtaxes were placed at 50 per cent. Now we have the same story again. The Secretary of the Treasury is demanding, and a majority of the Finance Committee is demanding, that these high maximum surtaxes be reduced again by 50 per cent.

* * * Yet, Mr. President, under these circumstances the distinguished chairman of the Finance Committee says that the people of small incomes are not paying enough. He is pleading for those with incomes above $100,000. There are only 2,532 of them, but they are rich beyond the dreams of any honest son of toil who ever looked forward with an ambitious eye to the accumulation of wealth in the future, and he comes here and pleads for them who have profited out of this other great class of small taxpayers.

As I said in the beginning, the things contended for in this bill are typical of the contentions of the principal leaders of the great Republican Party. They come to us upon the suggestion of the Secretary of the Treasury, and then the President of the United States puts upon it specifically his stamp of approval. The House of Representatives, the Members of which must go before their constituencies this fall, repudiates it. There were only a few even of the Republicans who were willing to accept it as a basis of Federal taxation. But when it comes over to this Chamber, where only one-third of the Members go before their constituents next fall, we find the Senator from Utah, this great Gibraltar, standing in full height and full strength, advocating just exactly what the reactionary leaders of the Republican Party want.

I wonder if the people of this country can be given to understand between now and November just what this iniquity does mean, just what these Republican leaders stand for, backed up by the present President of the United States. I ask the Senate to consider and think well of these things before this bill is ever enacted into law. But I predict that it will not be enacted. I can not conceive that there is a majority in this body so hardened in soul, so inconsiderate of those less able to support the burdens of the Government that they will vote to enact it into law. * * *

So spoke the Senator from New Mexico.

Mr. President, I could fill the time between now and to-morrow morning in reading similar utterances by these and other distinguished Democrats. The Democratic Party in its platform took the position that the Democrats took upon this floor. The Democratic Party, I understand, in its last platform, adopted at New York, took that position. How was it that we defeated these alleged evil purposes of the Republican side of this Chamber; and how was it that the Democratic Party was able to go into the campaign and to make the issue, as we did make it on every platform in this country, that we had destroyed the Mellon plan, which was to reduce the surtaxes upon the incomes of millionaires to as low as 25 or 30 per cent, and that we were justified in resisting that demand and insisting that the reduction upon the great incomes should be moderate and that the greatest reduction in percentages should go for the benefit of the great mass of taxpayers? How did we justify ourselves? We did it by the arguments that were made here upon this floor. We did it by sound logic and by sound reasons that I shall not take the time here to-night to repeat.

How did we succeed in preventing the consummation of the plan of the Secretary of the Treasury? We did it, sir, with the almost solid, if not the solid, vote of the Democratic side of this Chamber, aided by the vote of those who are generally called "insurgents" upon the other side. Robert M. La Follette, sr., was here then and the tremendous power of his intellect and his force and his logic were loaned to the fight. The other "insurgents" stood with us, and the Democrats, sir, wrote that tax bill and wrote the next tax bill and laid down the Democratic policies which we asserted were sound.

Now we come to the time when we can make further tax reductions. I am talking to Democrats. If our previous action was sound, an action that was ratified in our convention, an action that we proclaimed upon every platform, that we thundered from every stump, that we advocated in every party newspaper—if it was sound then and we had approximately arrived at a scale of taxation which was just as between the different classes of taxpayers, having now reached a time when we can generally reduce taxes because of the decreased burdens of government, then saving, of course, the right to make minor changes, the changes should have been made proportionately down the line, and in accordance with the principles we had heretofore laid down.

We, sirs, are not doing that. We are giving Mr. Mellon his way. We are giving Mr. Mellon all he has ever demanded on the surtaxes, and that is all Mr. Mellon has ever cared for. We are surrendering the citadel, and the excuse for it is that a compromise was effected in the Finance Committee.

Mr. President, what were the conditions obtaining when that compromise was made? It has been alleged here that the Republicans wanted to make slight or no reductions upon the small incomes, and wanted to make great reductions upon the great incomes; but is there anybody here who will say that any Republican ever proposed to put the surtax upon these great incomes at a lower point than it was put by the compromise? Did not the compromise give to Mr. Mellon exactly what Mr. Mellon demanded and 5 per cent better? So we yielded everything upon that point. We became the bond servants of Mr. Mellon. Mr. Mellon won his case; and we did not go down fighting, but we went down by surrender!

But, sir, suppose the Republicans had come in here with the ridiculous proposition—and I am not prepared to think for a minute they would have done it—that we should reduce the surtaxes to 20 per cent, and then they would not reduce the taxes upon smaller incomes. Why, there is not a Republican upon the other side of the Chamber or out in the country who ever would have made that kind of a proposition. They may have demanded the reduction upon the great incomes, and they did—undoubtedly they did—for, as the ass knows its owner and the ox its master's crib, they knew then, always, where to head in when it came to a reduction on taxes. At the same time, however, no figures could have been produced that would have justified them in not making some reductions upon the moderate incomes, and they undoubtedly would have come forward with them; for, whatever else I may say or others may say of my Republican friends on the other side of this Chamber, we will all have to admit that they are not political fools; and after they have served their masters they always are willing to placate the people.

So what did we get in this trade? I am assuming, now, that we were forced to a trade. What did we get in it? They got all they demanded, and they gave us nothing they would not have been obliged to concede in substance and effect. But was there any necessity for this trade? Twice we have stood here in serried columns like a phalanx; twice the insurgents upon the other side of the Chamber have formed on our flank and fought with us, and there were enough of us to overwhelm the other side of the Chamber. All we had to do was to bring it to a vote. The insurgents have not quit us. They have not pulled down their flag. Their little bark was dancing on the waves as gallantly as it had been in 1921 and 1923 and 1924. They were stripped for action. There were no cowards among them. They were ready to go forward when the great battleship of Democracy pulled its flag to half-mast and surrendered!

That is the cold, unvarnished, unmitigated truth. We could have stood here together and written this bill this time as we wrote it twice before; and at whose dictation, pray, are we taking this action?

The statutes of the United States provide that no man shall be Secretary of the Treasury who is engaged in trade. The law is musty with age and is sanctified by precedent. It was written for a good purpose. It was known that any man engaged in great financial transactions ought not to be the man who dictated or advised the tax policies of the Government which would directly affect him; and once, when a President was about to appoint a great merchant to this position and the attention of the President was called to the law, he promptly halted and appointed another man. Here, however, we have the example of a man who, when he became the Secretary of the Treasury, was a director in 68 great banks, trust companies, and industrials. The aggregate capital of those companies and of their allies and subordinates probably mounts into the billions of money.

They reach into every avenue of trade and commerce, from the manufacture of whisky to the manufacture of aluminum. They permeate every avenue of finance. Their powerful influences extend into the railroad systems of our land, into the trust companies, into the mortgage houses, into the boat lines, into the oils, into the refineries of oil. Everywhere they are spread out; and this man is the king-pin in the Aluminum Trust, a combination of combinations that controls substantially all of the valuable natural deposits out of which aluminum can be made. It is, sir, a monopoly more valuable, in my opinion, than any other monopoly that ever has been conceived. Aluminum is being employed in every kind of industry, in every avenue of life. The woman uses it in her kitchen. It forms the bodies of automobiles. It goes into the structure of flying machines. It is employed universally where strength and lightness are demanded. Its uses are increasing; and, in my opinion, a monopoly of the production of aluminum is more valuable than would be a title deed to all the rivers and lakes and oceans of oil that God placed beneath the surface of this earth; for the use of aluminum will become universal, and every man will pay tribute to the master of that monopoly.

Mr. President, it was estimated when this debate was on before that the change of taxes recommended by the Secretary of the Treasury would have saved him personally in one year $9,000,000. A man with such a stake as that sitting to write or dictate the policies of a nation is a man sitting to pass on his own case and pass upon the case of his associates and his confederates. That is the man who has won his fight to-day. Silently, shrewdly, without intermission of effort, pressing on and on by insidious processes, he seems to have undermined the conscience of the Democracy, and he always did own the conscience of the Republicans.

Why, sirs, you talk about corporate influence, as we have always talked and asserted that corporations had too much influence with the Republicans when they were in power, and with the Republican Party when it was out of power. Of the influence we have talked; but this is not a case of the corporations influencing the Government. This is a case where the corporations moved in and took possession of the Government, through Mr. Mellon. So every policy relating to the finances of this country is being shaped by him; and I want to pause here, although it is an aside, to inquire why we are not refunding our national debt, why we are not getting a reduced interest, why the effort is not being made upon tax-exempt Government bonds to fund them at lower rates of interest. I think the answer is easy: They are nearly all owned by the great financial institutions and the great financiers of the country.

So, Mr. President, we come here, we Democrats, and the poor old Democratic mule is being led in by the ear, and Mr. Mellon's hand holds the ear!

Mr. BLEASE. Mr. President, will the Senator permit an interruption?

The VICE PRESIDENT. Does the Senator from Missouri yield to the Senator from South Carolina?

Mr. REED of Missouri. I do.

Mr. BLEASE. Will the Senator please tell me what a Democrat is—a Democrat of to-day?

Mr. REED of Missouri. I do not know.

Mr. BLEASE. I do not, either.

Mr. REED of Missouri. I know what he is out in the country—the same old stalwart citizen he has always been. When I see the Democratic Party following the Republican Party and Calvin Coolidge across the Atlantic Ocean and going into a World Court at his dictation, even while he had to drive with party lash a good many of his own Senators, and had a small rebellion over there; and then when I see the Democratic Party not taking Mr. Mellon by the hand, but Mr. Mellon taking the Democratic Party in hand, and the principle we fought for all of these years surrendered when there was no reason for surrender, when all we needed to do was to stand here together, when we could have made every reduction that has been made in this bill, and—do not forget that proposition—with the votes of Democrats and the votes of insurgents every one could have been made, and the votes on the floor of the Senate that have just been cast demonstrate it—when we could have made further reductions upon moderate incomes and taken the difference, and justly taken it, out of the great incomes—when that was the situation, we find that we abandoned everything we have stood for; and I can gather up the campaign speeches that were made by every orator upon this side—and we are "long" on orators—and show you where they repeated, over and over again, that Mellon proposed to take $90,000,000 off of 12,000 millionaires, and that we prevented it.

Mr. President, that is not all. If we had been mistaken, if we had found out we were wrong, if arguments had been adduced to show the fallacy of our former views, then it would have been different. Like honest men, we ought to have changed our views. What argument has been adduced to change the principle underlying our past actions? What argument has been adduced to convince us that we were then wrong? What Columbus of the intellectual seas has sailed into view with a new message to us? Not one. It is simply the old Mellon argument, "Take it off; it is too high."

I say the surtaxes imposed in this bill on the great fortunes are unjustly low. First, the people with the great fortunes are those most able to pay, and it is a principle always recognized in levying taxes that the higher taxes should be levied on those best able to pay. Second, as these fortunes grow enormous, the value of the personal service of the individual who owns the fortune depreciates comparatively almost to nothing, and the possessor of the fortune obtains the protection of the smaller taxpayer and of all he does to maintain a government.

Let me illustrate that for just a moment, and I shall not longer detain the Senate. Let us assume that Jones and Smith are born on the same day. Jones, we will say, works hard during his life and has nothing when he is 21 or 22 years of age, or 25, except a few household goods. He gets the protection only on his individual life and liberty. But Smith, who was born the same day, inherits, let us say, $100,000,000. He gets all that Jones gets—protection upon his life and his liberty—but, in addition to that, he gets protection upon $100,000,000 scattered, perhaps, in every State of the Union. The courts, the constabulary, the processes of the law, all go for the protection of his property.

Let us look at the individual services to be rendered. Jones must serve upon juries, must serve upon the posse comitatus, must perform all the offices of a citizen, and if war be declared must jeopardize his life upon the field of battle. Not so with Smith. To be sure, if he be a patriotic man he may perform his military service; I will not insinuate that the rich men did not go to the front to do their duty during the war. But the personal service to be rendered by each of these men is now out of all proportion to their wealth. One of them renders a personal service and gets no protection except upon life and liberty and a few dollars' worth of property. The other gets the same protection of life and liberty and, in addition to that, gets all the power of this mighty Government, backed by all of its men and all of its women, to protect that vast fortune.

So it is just and right, when fortunes exist almost separate from the human being, because the personal element in the equation is so small, the fortune should bear a larger burden. So I say that taxes upon enormous fortunes are justified, justified not only as simple taxes, but surtaxes are justified for the considerations I have named.

Now, we propose to say that the man with a thousand million dollars, capable of rendering no service in proportion to that vast fortune, shall be allowed to escape with the tax reduced to this figure. If this figure is right to-day, considering its proportion and relation to the other taxes which we proposed to levy and did levy in the past two bills, then, those other bills were wrong, and we ought to have made the reductions then in the same proportion in which we are making them now.

I am not speaking here to-night with a desire to harrow up the feelings of my friends, but I want to know what I am going to say to the people, and what others are going to say, when we go to them again. When we went to them before we went denouncing the very method of taxation which we are to-day accepting.

It is said there were let out of taxes altogether a large number of the smaller taxpayers. That would have inevitably happened, and if it had not happened in the committee, it would have happened on this floor, if the Democrats had demanded it, and the insurgents had stood by them. The insurgents were in the forefront of that battle, every man of them with his toe to the mark, and stripped to the waist for action, every one of them. So there was no excuse. I find no excuse. I have simply to go back and say to my people "Mellon won the fight. This is not a case where we cut the melon; it is a case where the Mellon cuts us."

Mr. SIMMONS. Mr. President, I have no disposition to enter into a lengthy discussion of this matter. If the Senator from Missouri had been present at the time this discussion was first had, he would have learned some facts with reference to the situation which he does not seem to possess. The Senator was absent. The Senator lost many opportunities of getting the facts, and that accounts for his lack of information, as disclosed in the speech he has just made.

The Senator has seen fit to read from remarks which I submitted to the Senate when the bill of 1924, as prepared by the Finance Committee, was under consideration. I criticized that measure in unmeasured terms. I gave heartfelt utterance, in the speech which the Senator has just read, of my condemnation and disapproval. The bill which was then presented to us was, according to my conception of it, a monstrosity, and if it had been enacted, it would have resulted in a great wrong to the American people.

I denounced it upon the floor of the Senate, and I proposed a schedule of rates which I declared would correct the proposed abuses and these outrages.

After a very hot fight in the Senate, my rates were adopted. They provided for reasonable parity to the man of low income and the man of high income.

As a result of those reductions, the man with an income of $100,000 paid a tax of 17 per cent, and the man with an income of over a million dollars paid a tax of over 34 per cent, the rates on the high incomes being twice those on the low.

That, I thought, was a reasonable adjustment. After long debate the committee decided that my proposal was a reasonable and fair adjustment. The conference committee, against its will, so far as the will of the majority representatives from the Senate on that conference was concerned, yielded with ill grace, but they did yield to it, and the rates I proposed were written into the act of 1924.

Those rates established a fair parity between the low and the high taxpayer. Those wrongs were adjusted. Now we come to another reduction, and our margin of reduction, based upon the surplus revenue of the Government, is just about the same now as it was then.

The bill as it passed the House, in my judgment, was not an equitable adjustment. I said so. I insisted upon it. The question was, Could that bill be amended so as to make an equitable adjustment, an adjustment in the same proportion as had been made in the act of 1924? The House had taken all taxes off two and a half million people with low incomes. The House had reduced the taxes of those with incomes above $100,000, but it had retained a part of those taxes, the taxes covered by the brackets between $20,000 and $64,000, out of proportion to the reductions given to the other taxpayers of the country.

The House had done another very fine thing. The House had reduced the normal taxes, and in reducing the normal taxes to the extent of $93,000,000 had given $90,000,000 of that reduction to men whose incomes were less than $100,000.

I considered the matter very thoroughly. I studied the bill night after night and day after day, with a view of bringing

about the same parity that the act of 1924 brought about as between these two classes of taxpayers. I took into consideration the reductions the House had made upon the surtaxes and upon the normal taxes, and I prepared a schedule for additional reductions upon the incomes below $100,000, and then I worked out the problem to see whether if those reductions were accepted, either in the committee or in the Senate, the parity which I had described in the act of 1924 would be maintained.

After I had studied it thoroughly, as I explained to the Senate when this matter was before us, and while the Senator from Missouri was away from the Senate, under the act of 1924 the taxpayers with incomes up to $100,000 paid surtaxes at the rate of 17 per cent, while those with incomes above that paid at the rate of 34 per cent, or twice as much.

I proved that if the reductions which I proposed were made, the taxpayers would pay a surtax upon incomes of less than $100,000 at the rate of 10 per cent or a little below, while the taxpayers with incomes of a million dollars and over would pay a little under 20 per cent, or just about 2 to 1 as provided in the act of 1924. That was all I was seeking to do. That accomplished, I was satisfied, because that proved mathematically that in this reduction I and my associates of the minority were contending for the same proportionate reduction between those two classes as my 1924 rates carried. I had to surrender in the compromise a small part of that, and it threw the reduction just slightly out of balance. They raised the rate on incomes of $100,000 to 11 per cent as against approximately 19½ per cent upon incomes of $1,000,000 and over; that is to say, within a fraction of twice as much. I have not departed from the principle of the 1924 law, the surtax rates of which I wrote. I have not insisted upon less here than I did before. If the Senator from Missouri will get the figures and examine them he will see that there has been no surrender. I said if these reductions were accepted, then I would be satisfied with the result, because if they were accepted 20 per cent maximum was justified just as much and to the same extent as the maximum made in the 1924 act was justified.

But the Senator said if we had held off we could have had 25 per cent. That is, of course, easy to assert. Besides, 25 per cent with those reductions would be a larger proportion of tax retained upon the big man as compared with the little man than in the 1924 act. The Senator said we could have had our way about the matter and raised the surtax to as high a maximum as we desired. The Senator knows nothing about what was the situation in the Senate on this side of the Chamber at the time the bill was in the committee. He does not know the fact that there were from 12 to 15 Senators upon this side of the Chamber who said they were not willing to go and would not go beyond the maximum of 20 per cent. I could not force them. If the reductions were accepted I did not desire to force them.

The bill is just as good a Democratic bill as the other measure was. The bill is just as full of justice for the little taxpayer as the 1924 act was. This bill gives the little taxpayer a greater reduction than the other measure did.

This bill carries the largest reductions in income taxes of any bill that has ever been enacted into law by the Senate. It carries reductions in income taxes to the extent of $212,000,000. It relieves more small taxpayers than any bill we have ever passed. I am not dissatisfied with it. I stand by it. I am as good a Democrat as the Senator from Missouri, and I would not be exactly fearful of the results of a comparison of my record with his in the matter of constructive work and party service. I am no more given to surrender than he is. I have the courage to fight to the last ditch whether I win or whether I lose. I have no apologies to make. The country asks no apologies of me. The country understands, the country knows, that 2,500,000 of small taxpayers have been relieved of taxes. The country knows that those who pay taxes on incomes below $100,000 pay at the rate of 11 per cent under the provisions of this bill as against 17 per cent under the 1924 act.

The Senator from Missouri thinks that we should have continued what he called our coalition with the insurgents on the other side of the Chamber and the insurgents on this side of the Chamber. Mr. President, we have not continued that coalition. I have no apologies to make for that either.

The Senator said we wrote the bill in 1924. We did write the bill, so far as surtaxes were concerned, but we did not write it in any other respect. It was our bill that far and no further. The present bill is a more distinctively Democratic bill than the other was. The minority Members on this side of the Chamber have succeeded in incorporating into the bill everything that we asked and no more.

What did we demand in our original proposal, read to the Senate and made a public document the day before the committee began action upon the bill, as the Democratic minority demands? We demanded these reductions in the surtaxes. We have practically gotten them. We demanded the repeal of the capital-stock tax. We have secured its repeal. We demanded the repeal of the admissions and dues taxes. We have secured their repeal so far as Senate action can do it. Those were our three great demands. We have accomplished them all, but we do not stop there. The Democratic Party, in the committee and upon the floor of the Senate, has stood for the abolition of the tax upon trucks, imposed in the committee by the majority vote, and we have secured the removal of that tax. The Democratic Party, through its representatives upon the Committee on Finance, demanded a repeal of the tax imposed in the House bill upon automobiles, and we have secured it. Does any Senator on this side of the Chamber know of anything that the Democratic members of the committee stood for that we have not written into the bill? We stood solid, with one exception, for a repeal of the inheritance tax, and we have repealed it.

Who has written this bill? The Democratic Party wrote one section of the bill in 1924, but the Democratic Party has written practically the whole of this bill in its major particulars. We have not been beaten upon any position we have taken with reference to the major propositions in the bill, except our fight against the increase in the tax on corporations and our fight made here to-night to secure a repeal of the stamp tax on corporate issues of stock. We lost both of those propositions by a bare majority, in one case by 1 vote and in the other case by 3 votes. One of those propositions involved an increase in taxes. The Republican Party placed an increase upon a form of business that has had no consideration in all of the reductions that have been made. The Republicans defeated us with reference to our proposition to keep the corporation tax at 12½ per cent. They are responsible for the increase, and I am willing for them to take the responsibility for that action.

Never in my legislative career have I, as the representative of the minority in tax matters, had such a victory and my party had such a victory as we have achieved in connection with this bill. I am satisfied with it. I am delighted with the results we have accomplished. I am satisfied that the country will give us full credit for it. I am not alarmed. These sharp attacks, these venomous attacks upon me personally and upon the Democratic Party, do not alarm me. I am not terrified in the least. I have some knowledge of public sentiment in the United States. I have abundant and convincing evidence that the public sentiment of America to-day stands behind the action of the Democratic Party in connection with the bill and realizes what a great victory we have won.

Mr. MOSES. Mr. President, without wishing at all to detract from the rhapsody of the Senator from North Carolina, may I be permitted to observe that when the bill finally becomes a law and goes to the country, the credit will be given to Calvin Coolidge and Andrew W. Mellon?

Mr. SIMMONS. The Republican Party may steal the credit for this reduction, as they stole the credit for the 1924 reduction. [Laughter.]

Mr. GLASS. Mr. President, I feel a degree of culpability in delaying, for a little while, the vote on the bill at this time; but I believe the Senate will realize that I have consumed comparatively few moments in the discussion of the provisions of the tax bill.

In the brief remarks that I shall make I have no inclination whatsoever to be drawn into a partisan, political discussion of the bill; but in view of some things that were said this evening it seems desirable to call attention to a few facts which some Senators seem to have forgotten.

The theory of a fair and moderate maximum surtax is not a theory peculiar to Secretary Mellon of the Treasury Department. It is one with which all economists are familiar and as to the effectiveness of which nearly all of them are agreed. It is one on which the last three Democratic Secretaries of the Treasury were agreed, each one of whom at different times recommended to the Congress of the United States that the theory be put into effect; and, in consonance with it, the Democratic platform in 1920 declared that a system of tax reform should be adopted that would again turn the surplus wealth of the country into productive commercial and industrial activities. The last Democratic President of the United States held to that theory of taxation and so declared himself upon it.

Unhappily, as I shall always think, after framing the tax bill in 1924 containing such outstanding merits and excellencies, we on this side utterly rejected that theory; and, despite the merits of that tax bill, to which the Democratic side very

largely contributed, the result of that rejection was that the country got the idea that the Democratic Party was for high taxes and not for low taxes, and their ascription and praise went to Secretary Mellon and not to the Democratic Party for its share in framing the tax bill of 1924. When the election came on the intelligent and patriotic efforts of Democratic Senators and Representatives in the Congress of the United States went for naught, and on election day we were subjected to the most humiliating defeat that had ever up to that time overtaken any party in the history of the Republic.

Let us see if the Democrats of the Congress have been led by the Secretary of the Treasury, for whom I have the highest personal regard and in whose ability I have the utmost confidence, without discussing the proprieties involved in his holding the position of Secretary of the Treasury in the circumstances. When Mr. Mellon appeared before the Ways and Means Committee of the House of Representatives he advocated a maximum reduction of $140,000,000 in the personal income taxes. Were the overwhelming majority of the Democrats of the House of Representatives led by the ear? Did they accept the advice of the Secretary of the Treasury on that particular point? They reduced the aggregate amount of the personal income taxes by $193,000,000 and thereby save the taxpayers of the country, if the bill shall become a law, $53,000,000, a reduction of more than 33⅓ per cent below the figure fixed by the Secretary of the Treasury.

Did the Secretary of the Treasury advocate further personal exemptions from payment of the income tax? He did not.

Mr. SIMMONS. Mr. President, if the Senator will permit me to interrupt him, when we made these reductions, after we had made the compromise, the newspapers announced that the Secretary of the Treasury was very much displeased and did not know whether or not the department could accept them.

Mr. GLASS. Nobody will deny that it was the thought of the Secretary of the Treasury, as it was of many wise men in this country, that there should be no such exemption from the personal income-tax levy as was made in the House of Representatives, freeing nearly 2,000,000 taxpayers from liability which the Secretary of the Treasury would, in his judgment, have imposed upon them and which many patriotic men think it is their duty to meet. Were the Democrats of the House or of the Senate Finance Committee led by the nose in this respect? Did they surrender their convictions to the judgment of the Secretary of the Treasury? They did not.

What happened after the measure came here? We have heard, in terms of derision, a great deal about "trading" and "coalitions;" but, Mr. President, in the 24 years that I have been in the Congress of the United States I have never known a comprehensive tax bill or any other great fiscal measure to be adopted except by mutual concessions of those who disagreed in their judgment upon the items and provisions of the bill.

Gentlemen object to "coalitions," but merely when they are not made with them. There were many Democrats in the Senate who would have refused to tolerate certain coalitions that some other Democrats would like to have made, and there would not have been "a solid phalanx" on this side of the Chamber had anything of that kind had been attempted. We are invited to renew the coalition of 1924 with the insurgents who "insurge" here, but on election day obediently return to the fold, every one of them. Oh, their "bark was on the sea," yes; and it sailed right into the Mellon and Republican port on election day and contributed very materially to the 7,000,000 plurality rolled up against the Democratic Party! Not a single one of them gave John Davis a solitary electoral vote. Those who did not vote for La Follette voted for Calvin Coolidge. Yet we are invited to renew that sort of coalition, to which I never belonged, I want to say, personally for myself.

I think the Democratic members of the Senate Finance Committee should be commended and congratulated for the work they have done; and likewise I think the Republican members of that committee have performed a patriotic service.

The Senator from North Carolina, by reason of his insistence and persistence, secured a concession of $26,000,000 for those taxpayers in the intermediate brackets. It is said that we might have obtained this concession without any yielding. Who knows that? It does not follow as a matter of course merely because at this late day there is a development here which might signify a result of that sort? But if to renew the coalition of 1924 was essential to get that concession, I repeat, there are Senators on this side of the aisle who would have rejected the concession. If I am to form a coalition, I claim my personal privilege to determine what character of coalition it is and with whom I shall form it.

See then: Instead of being "the bond-slaves" of the Secretary of the Treasury, the Democrats are responsible, leaving out all other items, for a reduction of $80,000,000 in the personal income taxes levied upon the people of this country—$80,000,000 in the face of the declaration of the Secretary of the Treasury that we could not afford to make that reduction in the revenues.

Oh, yes; we have gone far beyond that, and I am not going to felicitate myself or my party associates upon that fact—not yet. If we keep on reducing taxes and depriving the Treasury of its required revenues, we may soon have a deficit to make up, and if I may incidentally refer to politics again, let me say to my colleagues on this side of the Chamber, if there be any basis for your hope and expectation of a Democratic Congress next time, and we so far reduce taxes as that the Democratic Congress would be compelled to raise taxes, you had as well present your adversaries with the next Presidency without going through the formality of holding an election. Prosperity does not always persist. An acute business depression might leave us high and dry.

I do not think we are "cowards." I do not think we have "surrendered." I believe Senators on both sides of the Chamber are men capable of forming convictions and with courage enough to assert their convictions; and not with obstinacy enough to refuse, in any event, to yield to one another when there is a difference of judgment.

I apologize to the Senate for taking any of its time at this late hour.

The VICE PRESIDENT. The question is upon agreeing to the amendment offered by the Senator from Nebraska [Mr. NORRIS].

Mr. SIMMONS. On that I call for the yeas and nays.

The yeas and nays were ordered.

Mr. HOWELL. Mr. President, during the years 1922, 1923, 1924, and 1925 the Government expended on account of war liabilities, consisting only of sinking fund, interest on the national debt, veteran relief, and adjusted compensation, an average of $1,682,000,000. This is more than twice the cost of the Government in 1914, excluding the receipts of the Post Office Department, and nearly $15 annually for every man, woman, and child in the United States. For the last of these four years—that is, for 1925—these expenditures were $1,678,000,000, or but $4,000,000 less than the four-year average. Therefore, so far as the payment of debts and other war liabilities is concerned, it is evident that the Great War is not over—in fact, we are just in the midst of it, and the end is far off.

Yet, Mr. President, notwithstanding these facts, that class of taxpayers enjoying incomes of $100,000 or more, numbering, according to the 1925 income-tax returns, 5,694, are to be relieved this coming year of $275,000,000 of taxes through a permanent reduction in personal income taxes, the repeal of estate and gift taxes, and because of rebates on account of estates taxes previously assessed, while the reduction to all other taxpayers is but $201,500,000, as hereafter indicated.

In this connection, Mr. President, I ask unanimous consent to insert a statement in the RECORD.

The VICE PRESIDENT. Is there objection? The Chair hears none; and it is so ordered

The matter referred to is as follows:

SOME PROPOSED TAX REDUCTIONS AND CANCELLATIONS

(1) The 1926 tax bill, passed by the House of Representatives, is now before the Senate as amended by the Senate Finance Committee.

(2) In considering this measure it should be remembered that about 7,300,000 individuals made income-tax returns in 1925, of which number 5,694 ("the 5,694 class") reported incomes of $100,000 or more.

(3) This tax bill as amended provides for a total reduction in personal income taxes of $219,000,000.

(4) It also provides for the repeal of the estates tax, on account of which, during the first five months of the present fiscal year, there was assessed and charged on the books of the Treasury against estates of decedents approximately $61,000,000, suggesting a total for the year of about $150,000,000.

(5) The gift-tax provision of the 1924 law, adopted to discourage evasion of estate taxes, is also repealed. Collections on account of this tax last year amounted to about $7,500,000.

(6) In addition, this tax bill provides that the amount of estate taxes assessed under the provisions of the 1924 law, now in effect, shall be reduced and refunds made so as to accord with the provisions of the 1921 law. This will result in abatements and refunds of back taxes amounting to approximately $100,000,000.

(7) The following tabulation indicates the proportion of these tax reductions and refunds that will go to the 5,694 class and the estates of those who in life belonged to the 5,694 class; also the proportion that will go to all the remaining taxpayers of the United States.

(8) Of course, abatements and refunds provided for in this bill will accrue but once to beneficiaries, but other reductions in taxes will be enjoyed so long as the measure remains in effect should it be finally enacted.

Mr. HOWELL. Mr. President, not only are we required to expend annually about $1,678,000,000 to take care of our direct war liabilities, but in addition thereto, as a consequence of the refunding of 11 of our foreign debts, we are confronted with the fact that provision has been made for the cancellation of every one of them, and that, in addition thereto, we must pay deficits in interest in each case totaling about $105,000,000 per annum.

Items	The 5,694 class	All other taxpayers of United States
Personal income-tax reductions	$120,500,000	$98,500,000
Estate-tax reductions	90,000,000	60,000,000
Rebates of estate-taxes levied under 1924 law	60,000,000	40,000,000
Reductions on account of gift-tax repeal	4,500,000	3,000,000
	275,000,000	201,500,000

In this connection I request unanimous consent to insert another statement in the RECORD.

The VICE PRESIDENT. Without objection, it is so ordered.

The matter referred to is as follows:

DISPOSITION OF FOREIGN DEBTS THUS FAR REFUNDED BY THE UNITED STATES FOREIGN DEBT COMMISSION

(1) In connection with an interest-bearing debt it is a well-recognized rule of partial payments that any payment by the debtor is first applicable to the payment of accrued interest and the remainder, if any, to the reduction of the debt.

(2) The foreign debts of the United States were all liquidated accounts, represented by definite notes and obligations, upon which the agreed rate of interest was 5 per cent.

(3) Eleven of these debts have been refunded by the United States Debt Commission, the debtor nations in each case agreeing to pay certain specified sums of money annually over a period of 62 years, and no more.

(4) The total payments of every kind and nature thus agreed upon in each case falls short from 27 to 79 per cent of enough to pay 5 per cent interest upon these debts. Therefore on this basis there is nothing to be paid upon principal, and hence the principal in each case is canceled.

(5) The rate of interest paid by the United States upon its interest-bearing debt has averaged for the past four years about 4.4 per cent. Assuming, however, that the American people would be willing to reduce the rate of interest upon these foreign debts to 4¼ per cent, or the rate that the Government is now paying upon some $13,500,000,000 Liberty and other bonds outstanding, from the proceeds of which these loans were made, we find that upon this 4¼ per cent basis, the total payments of every kind and nature in each case falls short from 13 to 73 per cent of enough to pay 4¼ per cent interest upon these debts. Therefore, upon a 4¼ per cent basis there is nothing to be paid upon principal and hence it is evident that the principal of each debt is canceled.

(6) Reducing (upon a basis of 4¼ per cent interest) all payments in each case to equivalent, equal, annual installments, payable for a period of 62 years, we have the results set forth in the accompanying table. It might here be stated that such reduction is necessary for the purpose of analysis, as a dollar of a total payment on any one of these debts is worth more if paid at an early than at a late date, and in some of these cases the agreed payments vary greatly. Thus Italy's first five annual installments are $5,000,000 each, the thirty-first payment $35,332,500, and the last, $80,988,000.

(7) In column B is enumerated the amount of each debt as of the date of refunding, including unpaid interest to the nearest thousand dollars, as per statements afforded by the Treasury Department.

(8) In column C is the calculated uniform rate of interest in each case that the debtor nation will pay on its debt for 62 years, provided that its total payments of every kind and nature are applied on account of interest only.

(9) The amounts set forth in column E represent the additional sum that the Government must pay annually in each case to make up the difference between the rate of interest set forth in column C and the 4¼ per cent interest that must be paid upon outstanding Liberty and other bonds issued to make these loans.

A Country	B Debts refunded	C Interest rate on debts	D Amount of debts canceled [1]	E Annual deficit in interest that must be paid by United States
Great Britain	$4,715,311,000	3.7		$25,747,000
Esthonia	14,143,000	3.7		77,000
Finland	9,191,000	3.7		49,000
Hungary	1,985,000	3.7		11,000
Latvia	5,894,000	3.7		31,000
Lithuania	6,217,000	3.7		36,000
Poland	182,325,000	3.7		994,000
Rumania	46,945,000	3.4		377,000
Czechoslovakia	123,855,000	3.4		1,034,000
Belgium	483,426,000	2.1		10,194,000
Italy	2,150,151,000	1.1		67,067,000
Total	7,739,443,000	2.9	$7,739,443,000	105,617,000

[1] All canceled.

(10) The deficit in interest payments for the 62 years totals, without interest, $6,548,254,000. This total deficit added to the canceled debts, renders apparent the loss to the American people on account of these transactions as $14,287,697,000. Adding interest at 3½ per cent compounded annually the loss becomes $30,188,536,000.

(11) Should the Government not only pay the deficit in interest, but in addition enough more each year to amortize these debts, in 43 years the loss without interest would be reduced by a little more than half, while the loss with 3½ per cent interet would be $14,269,298,000, neglecting interest after the forty-third year.

(12) The above-noted losses resulting from the inclusion of 3½ per cent compounded interest is not merely of academic interest. Many life-insurance companies throughout the country, some with assets increasing above $200,000,000 per annum, write insurance and annuity contracts guaranteeing results based upon their ability to earn upon their funds continuously 3½ per cent compound interest.

(13) The total payments of every kind and nature to be made by Great Britain during the 62 years, if divided by 62, equals $179,195,000, or 3.8 per cent upon her debt. Thus merely upon the basis of this simple, unweighted computation it is evident that for 62 years Great Britain will pay not more than 3.8 per cent upon her debt and no principal, hence the debt will be canceled.

(14) A like simple, unweighted computation applied to the 11 refunded debts indicates that, together, the 11 debtor nations will pay of 3.2 per cent for 62 years, no principal, the debts being canceled.

Mr. HOWELL. Mr. President, in view of our tremendous war liabilities, and these huge cancellations, the relieving of large incomes and great estates from paying not the taxes they paid during the Great War, while actual hostilities were in progress, nor the taxes that were paid following the enactment of the tax bill in 1921, but merely the taxes that were paid last year is unjustifiable.

Much has been recently said respecting the conscription of wealth in connection with the next war. The President has publicly approved the idea. Why, then, should we relieve great wealth now, inasmuch as the Great War, so far as its cost is concerned, is not over? If we relieve the large incomes and great estates as proposed, it does not mean that the canceled and rebated taxes will be not ultimately collected, of course, not from the large incomes and great estates, but ultimately from the masses of the people in the form of indirect taxes. This is evidently the policy in mind. I can not approve such a policy; and, though I realize that my vote will have little effect respecting the future of this bill, and though I approve of a number of tax reductions provided for therein, as a matter of protest respecting the policy it implies, I shall vote "No" upon its passage.

The VICE PRESIDENT. The question is on the amendment offered by the Senator from Nebraska [Mr. NORRIS], on which the yeas and nays have been demanded and ordered. The Secretary will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. NORRIS (when Mr. BROOKHART'S name was called). I desire to announce that the Senator from Iowa [Mr. BROOKHART] is absent. He is paired with the Senator from Arkansas [Mr. CARAWAY]. If the Senator from Iowa were present, he would vote "yea."

Mr. COPELAND (when his name was called). On this matter I have a pair with my colleague [Mr. WADSWORTH], and on that account I withhold my vote.

Mr. JONES of Washington (when Mr. CURTIS'S name was called). I desire to say that the Senator from Kansas [Mr. CURTIS] is necessarily absent on account of ill health. He is

paired with the Senator from Michigan [Mr. FERRIS]. If the Senator from Kansas were present and at liberty to vote, he would vote "nay."

Mr. FERNALD (when his name was called). Making the same announcement as before, I vote "nay."

Mr. FERRIS (when his name was called). Making the same announcement that I made before, I withhold my vote.

Mr. FLETCHER (when his name was called). I have a general pair with the Senator from Delaware [Mr. DU PONT]. I understand that he would vote as I expect to vote on this question. I vote "nay."

Mr. JONES of Washington (when Mr. GOODING's name was called). The Senator from Idaho [Mr. GOODING] is necessarily absent on account of ill health. I understand that if present he would vote "nay."

Mr. HOWELL (when his name was called). I have a pair with the senior Senator from Kentucky [Mr. ERNST], and necessarily withhold my vote.

Mr. SACKETT. The senior Senator from Kentucky [Mr. ERNST] is necessarily absent from the Chamber. If present, he would vote "nay."

Mr. NORRIS (when Mr. JOHNSON's name was called). I desire to announce that the Senator from California [Mr. JOHNSON] is necessarily absent. He is paired with the senior Senator from Arkansas [Mr. ROBINSON]. If the Senator from California were present, he would vote "yea."

Mr. MCNARY (when his name was called). I have a pair with the Senator from Maryland [Mr. BRUCE]. If I were at liberty to vote, I should vote "yea"; and if the Senator from Maryland were present, he would vote "nay."

Mr. SHEPPARD (when Mr. MAYFIELD's name was called). The junior Senator from Texas [Mr. MAYFIELD] is absent on account of illness. If he were present, he would vote "yea."

Mr. NEELY (when his name was called). On this question I am paired with the senior Senator from New York [Mr. WADSWORTH]. I transfer that pair to the junior Senator from New York [Mr. COPELAND], who is present, and vote "yea."

Mr. PEPPER (when his name was called). I have a pair with the junior Senator from New Mexico [Mr. BRATTON]. I transfer that pair to the junior Senator from Idaho [Mr. GOODING], and vote "nay."

Mr. SIMMONS (when the name of Mr. ROBINSON of Arkansas was called). I desire to announce that the Senator from Arkansas [Mr. ROBINSON], who is absent, would, if present, vote "nay" on this amendment.

Mr. HEFLIN (when Mr. UNDERWOOD's name was called). My colleague [Mr. UNDERWOOD] is absent on account of illness. If he were present, he would vote "nay."

Mr. REED of Pennsylvania (when Mr. WADSWORTH's name wa scalled). The senior Senator from New York [Mr. WADSWORTH] is necessarily absent. He is paired with his colleague, the junior Senator from New York [Mr. COPELAND]. If present, the senior Senator from New York would vote "nay."

The roll call was concluded.

Mr. ASHURST (after having voted in the affirmative). When I voted, I forgot for the moment that I was paired on this question with the junior Senator from Connecticut [Mr. BINGHAM]. Therefore I withdraw my vote.

Mr. COPELAND. There seems to be some complication about my pair with my colleague. I understand, from the announcement made, that I am at liberty to vote. I vote "nay."

Mr. NEELY. In view of that action on the part of the junior Senator from New York, I withdraw the announcement I made before, and state that if the senior Senator from New York [Mr. WADSWORTH] were present he would vote "nay"; and if I were at liberty to vote, I would vote "yea." My pair with him shall stand, in view of the fact that the junior Senator from New York has now voted.

Mr. JONES of Washington. I desire to announce that the Senator from Iowa [Mr. CUMMINS] is necessarily absent on account of ill health.

Mr. BLEASE. I do not know how the Senator from Missouri [Mr. WILLIAMS] would vote on this question, and I therefore withhold my vote; but if I were at liberty to vote, I would vote "yea."

Mr. JONES of Washington. I desire to announce the following general pairs:

The Senator from Colorado [Mr. MEANS] with the Senator from Texas [Mr. MAYFIELD];

The Senator from Illinois [Mr. MCKINLEY] with the Senator from Virginia [Mr. SWANSON]; and

The Senator from Connecticut [Mr. BINGHAM] with the Senator from Nevada [Mr. PITTMAN].

I also desire to announce the unavoidable absence of the Senator from Minnesota [Mr. SCHALL].

Mr. GERRY. I desire to announce that the senior Senator from Arkansas [Mr. ROBINSON], the junior Senator from Arkansas [Mr. CARAWAY], the junior Senator from Mississippi [Mr. STEPHENS], and the senior Senator from Nevada [Mr. PITTMAN] would, if present, vote "nay" on this amendment.

The result was announced—yeas 21, nays 44, as follows:

YEAS—21

Capper	King	Norris	Tyson
Couzens	La Follette	Nye	Walsh
Dill	Lenroot	Reed, Mo.	Wheeler
Frazier	McKellar	Sheppard	
Harris	McMaster	Shipstead	
Jones, Wash.	Norbeck	Trammell	

NAYS—44

Bayard	Fletcher	Keyes	Robinson, Ind.
Broussard	George	McLean	Sackett
Butler	Gerry	Metcalf	Shortridge
Cameron	Gillett	Moses	Simmons
Copeland	Glass	Oddie	Smith
Dale	Goff	Overman	Smoot
Deneen	Hale	Pepper	Stanfield
Edge	Harreld	Phipps	Warren
Edwards	Harrison	Pine	Watson
Fernald	Heflin	Ransdell	Weller
Fess	Kendrick	Reed, Pa.	Willis

NOT VOTING—31

Ashurst	Cummins	Johnson	Robinson, Ark.
Bingham	Curtis	Jones, N. Mex.	Schall
Blease	du Pont	McKinley	Stephens
Borah	Ernst	McNary	Swanson
Bratton	Ferris	Mayfield	Underwood
Brookhart	Gooding	Means	Wadsworth
Bruce	Greene	Neely	Williams
Caraway	Howell	Pittman	

So Mr. NORRIS's amendment was rejected.

Mr. JONES of Washington. I offer an amendment, which I understand the Senator in charge of the bill is willing to send to conference for consideration by the conferees.

Mr. SMOOT. With that statement, I have no objection to the insertion of the amendment in the bill.

The VICE PRESIDENT. The clerk will state the amendment.

The CHIEF CLERK. On page 334, after line 10, after the amendments heretofore agreed to, insert:

RETROACTIVE REGULATIONS

SEC. 1213. The liability of any taxpayer under any internal revenue law shall be determined (unless such taxpayer otherwise consents or requests) in accordance with the Treasury decisions, opinions of the Attorney General, and regulations made by the commissioner or the Secretary, or by the commissioner with the approval of the Secretary, in force at the time his return was made, whether such return was made before or after the enactment of this act. As used in this subdivision, the term "return" means, in the case of a return which has been amended, the return as finally amended.

The VICE PRESIDENT. The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. BLEASE. Mr. President, I propose a short amendment, which I send to the desk, to come in after the last section of the bill.

The VICE PRESIDENT. The clerk will read the amendment.

The CHIEF CLERK. Add after the last section of the bill the following:

Resolved, That in view of the Democratic minority being in favor of the Mellon tax plan, the Senate apologizes to Denby, Daugherty, Fall, and Doheny for the part they played in the corruption of the last administration, and regret their indictment.

Mr. SIMMONS. Who offers that amendment?

The VICE PRESIDENT. The junior Senator from South Carolina.

Mr. BLEASE. I ask for the adoption of the amendment.

Mr. SIMMONS. I think it is really too stupid for us to bother with.

Mr. BLEASE. I ask for the adoption of the amendment.

Mr. HEFLIN. The amendment is out of order.

The VICE PRESIDENT. It is in the nature of a resolution and not an amendment and is not in order at this time.

The bill is still in the Senate and open to amendment. If there be no further amendment, the question is, Shall the amendments be engrossed and the bill read a third time?

The amendments were ordered to be engrossed, and the bill to be read a third time.

The bill was read the third time.

The VICE PRESIDENT. The bill having been read three times, the question is, Shall the bill pass?

Mr. NORRIS. Mr. President, this bill is a millionaires' tax reduction bill.

It reduces the personal income tax of 5,694 persons reporting incomes of $100,000 and more by $120,500,000.

It reduces the estate tax of all persons with $100,000 of net income while they were alive by $90,000,000.

It reduces the estate tax of 1924 for the same class of persons who had incomes of $100,000 or more while alive by $60,000,000. This is a retroactive gift to millionaires' estates and, in effect, is the same as though we took the money out of the Treasury by direct appropriation.

It reduces the gift tax for all persons with incomes of $100,000 or more by $4,500,000.

It wipes out the estate tax for all future time, and this tax would be paid to the greatest extent by the same class of taxpayers, and incidentally reduces the income of the Government by more than $100,000,000 a year from estate-tax repeal.

The total tax reduction, then, for these 5,694 persons with incomes of $100,000 or more is $275,000,000.

There were approximately 4,085,000 taxpayers with incomes of less than $100,000. For this class of taxpayers the reductions amount to $201,500,000.

The average tax reduction given by this bill to persons with incomes of $100,000 and more is $48,000 each.

The average reduction for persons with incomes of less than $100,000 is $49 each.

The bill continues the secrecy provisions of the income tax law, under which all these frauds against the Government discovered by the select committee of the Senate were committed. It continues the secrecy clause to protect any future and comparable frauds which might develop and secrecy is always an inducement to fraud of one character or another.

The bill gives a subsidy to the oil industry, which is estimated as high as $40,000,000 a year. The oil industry, criticized by the consumers for the high prices charged for gasoline and crude oil, is now told by this bill to deduct 50 per cent of its net income before it pays any tax at all. According to estimates given by the counsel for the select committee of the Senate, this bill tells the oil industry that 50 per cent of the net income is tax exempt. There is no comparable exemption for the farmer, the business man, the professional man, and the individual, other than the exemption allowed an individual on earned income.

Mr. SIMMONS. Mr. President, contrary to the figures given by the Senator from Nebraska, the reductions given on incomes of $100,000 in surtaxes amount to $46,000,000 in the normal tax $90,000,000, making a total of $136,000,000.

The VICE PRESIDENT. The question is, Shall the bill pass?

Mr. REED of Pennsylvania. I ask for the yeas and nays.

The yeas and nays were ordered, and the Chief Clerk proceeded to call the roll.

Mr. FERRIS (when his name was called). I have a pair with the senior Senator from Kansas [Mr. CURTIS]. I am informed that if he were present he would vote "yea." I therefore am at liberty to vote, and I vote "yea."

Mr. FLETCHER (when his name was called). Making the same announcement as before, I vote "yea."

Mr. HOWELL (when his name was called). I have a pair with the senior Senator from Kentucky [Mr. ERNST]. I therefore withhold my vote. If I were permitted to vote, I should vote "nay."

Mr. McNARY (when his name was called). Upon this vote I have a pair with the Senator from Maryland [Mr. BRUCE]. I am advised that if present he would vote as I am about to vote. I vote "yea."

Mr. SHEPPARD (when Mr. MAYFIELD'S name was called). The junior Senator from Texas [Mr. MAYFIELD] is detained on account of illness. If present he would vote "yea."

Mr. NEELY (when his name was called). On this question I have a pair with the senior Senator from New York [Mr. WADSWORTH]. I am informed that if he were present he would vote as I would, and I therefore vote "yea."

Mr. PEPPER (when his name was called). On this question I am paired with the junior Senator from New Mexico [Mr. BRATTON]. I am advised that if he were present he would vote as I intend to vote. I vote "yea."

Mr. FESS (when Mr. SCHALL'S name was called). I wish to make the announcement that the junior Senator from Minnesota [Mr. SCHALL] is absent on account of illness. Were he present, he would vote "yea."

Mr. HEFLIN (when Mr. UNDERWOOD'S name was called). Making the same announcement as before with reference to the absence of my colleague [Mr. UNDERWOOD], I wish to state that if he were present, he would vote "yea."

Mr. REED of Pennsylvania (when Mr. WADSWORTH'S name was called). The senior Senator from New York [Mr. WADSWORTH] is necessarily absent. If he were present, he would vote "yea."

Mr. WARREN (when his name was called). I inquire if the junior Senator from North Carolina [Mr. OVERMAN] has voted?

The VICE PRESIDENT. That Senator has not voted.

Mr. WARREN. I have a standing pair with the junior Senator from North Carolina, but I am assured that he would vote as I expect to vote. I therefore vote. I vote "yea."

The roll call was concluded.

Mr. BLEASE. I am paired with the junior Senator from Missouri [Mr. WILLIAMS]. If he were present, he would vote "yea." If I were at liberty to vote, I would vote "nay."

Mr. JONES of Washington. I wish to announce that the senior Senator from Iowa [Mr. CUMMINS], the junior Senator from Connecticut [Mr. BINGHAM], the junior Senator from Idaho [Mr. GOODING], the junior Senator from Minnesota [Mr. SCHALL], and the senior Senator from Vermont [Mr. GREENE] are all absent on account of ill health. I understand they would all vote "yea" on the passage of the bill.

I wish to announce that the Senator from Kansas [Mr. CURTIS] is absent on account of illness. If present he would have voted "yea" on the passage of the bill.

Mr. SACKETT. The pair of my colleague [Mr. ERNST] with the Senator from Nebraska [Mr. HOWELL] has been announced. I wish to state that if my colleague were present, he would vote "yea."

Mr. NORRIS. I desire to announce that the senior Senator from California [Mr. JOHNSON] is paired with the senior Senator from Arkansas [Mr. ROBINSON]. If the senior Senator from California were present, he would vote "nay."

I desire also to announce that the junior Senator from Iowa [Mr. BROOKHART] is necessarily absent. He is paired with the junior Senator from Arkansas [Mr. CARAWAY]. If the junior Senator from Iowa were present, he would vote "nay."

Mr. GERRY. I desire to announce that the senior Senator from Arkansas [Mr. ROBINSON], if present, would vote "yea," as would the junior Senator from Arkansas [Mr. CARAWAY], the junior Senator from Mississippi [Mr. STEPHENS], the Senator from Nevada [Mr. PITTMAN], the Senator from New Mexico [Mr. JONES], and the Senator from Virginia [Mr. SWANSON].

Mr. HARRISON. And the Senator from Alabama [Mr. UNDERWOOD].

The result was announced—yeas 58, nays 9, as follows:

YEAS—58

Ashurst	Fess	King	Sackett
Bayard	Fletcher	Lenroot	Sheppard
Broussard	George	McKellar	Shortridge
Butler	Gerry	McLean	Simmons
Cameron	Gillett	McNary	Smith
Capper	Glass	Metcalf	Smoot
Copeland	Goff	Moses	Stanfield
Couzens	Hale	Neely	Trammell
Dale	Harreld	Oddie	Tyson
Deneen	Harris	Pepper	Warren
Dill	Harrison	Phipps	Watson
Edge	Heflin	Pine	Weller
Edwards	Jones, Wash.	Ransdell	Willis
Fernald	Kendrick	Reed, Pa.	
Ferris	Keyes	Robinson, Ind.	

NAYS—9

Frazier	Norbeck	Nye	Shipstead
La Follette	Norris	Reed, Mo.	Wheeler
McMaster			

NOT VOTING—29

Bingham	Curtis	McKinley	Swanson
Blease	du Pont	Mayfield	Underwood
Borah	Ernst	Means	Wadsworth
Bratton	Gooding	Overman	Walsh
Brookhart	Greene	Pittman	Williams
Bruce	Howell	Robinson, Ark.	
Caraway	Johnson	Schall	
Cummins	Jones, N. Mex.	Stephens	

So the bill was passed.

Mr. SMOOT. Mr. President, I ask unanimous consent that there may be printed, with the Senate amendments numbered, 1,000 copies of the bill as it passed the Senate.

The VICE PRESIDENT. Without objection it is so ordered.

Mr. SMOOT. I move that the Senate insist upon its amendments and ask for a conference with the House, and that the Chair appoint the conferees.

The motion was agreed to.

Mr. SMOOT. Ordinarily the conferees on the part of the majority would be the Senator from Utah [Mr. SMOOT], the Senator from Connecticut [Mr. MCLEAN], and the Senator from Kansas [Mr. CURTIS]. The Senator from Kansas, as we all know, is ill and does not feel that he is strong enough to undertake the work and asks that he be excused. The

Senator from Indiana [Mr. WATSON] is engaged almost daily and hourly with his labors on the Interstate Commerce Committee, and therefore asks that he be excused for that reason.

Also, in behalf of the minority, and at the request of the Senator from North Carolina [Mr. SIMMONS], I wish to state that on account of the illness of the Senator from New Mexico [Mr. JONES] it is impossible for him to serve, and that the Senator from Rhode Island [Mr. GERRY] will be asked, in connection with the Senator from North Carolina [Mr. SIMMONS], to be a member of the conference committee. I now ask that the Chair appoint the conferees.

The VICE PRESIDENT. The Chair appoints as conferees on the part of the Senate the Senator from Utah [Mr. SMOOT], the Senator from Connecticut [Mr. MCLEAN], the Senator from Pennsylvania [Mr. REED], the Senator from North Carolina [Mr. SIMMONS], and the Senator from Rhode Island [Mr. GERRY].

Mr. KING. Mr. President, I voted for the bill which has just passed the Senate. I did so with the greatest reluctance. It does not meet my views in many particulars. It gives a bounty or gratuity to the oil industry amounting to approximately $50,000,000 per annum. There is no justification for this provision of the bill. It can not be defended upon the ground that gratuities and special favors are necessary for the purpose of developing the oil industry in the United States.

We know that the Standard Oil Co. and other large concerns practically control the oil fields and the oil industry and that their profits are stupendous. To thus single out an industry and augment their annual earnings of those engaged therein and relieve them from the payment of taxes to the Government can not, in my judgment, be defended.

The bill also is indefensible in that it remits taxes due from the estates of rich decedents and strikes down the entire estate-tax system as it has been adopted by the Federal Government. There are many other features which are obnoxious. However, it does relieve millions of people of some tax burden and contains some features which constitute a marked improvement over the existing law. I hope that the bill as it emerges from the conference will be an improvement over its present form. One of the reasons inducing me to support it is founded upon the hope and the expectation that the conferees named by the House will insist upon eliminating many of the obnoxious features which are found in the bill as we have just passed it.

TREASURY AND POST OFFICE APPROPRIATIONS

Mr. WARREN. Mr. President, I move that the Senate proceed to the consideration of House bill 5959, making appropriations for the Treasury and Post Office Departments.

The motion was agreed to; and the Senate, as in Committee of the Whole, proceeded to consider the bill (H. R. 5959) making appropriations for the Treasury and Post Office Departments for the fiscal year ending June 30, 1927, and for other purposes, which had been reported from the Committee on Appropriations with amendments.

ADJOURNMENT TO MONDAY

Mr. SMOOT. I move that the Senate adjourn until Monday next.

The motion was agreed to; and the Senate (at 11 o'clock and 10 minutes p. m.) adjourned until Monday, February 15, 1926, at 12 o'clock meridian.

HOUSE OF REPRESENTATIVES

FRIDAY, *February 12, 1926*

The House met at 12 o'clock noon.

Right Rev. Mgr. P. C. Gavan, pastor Sacred Heart Church, Washington, D. C., offered the following prayer:

Almighty and everlasting God, who through Jesus Christ has revealed the wonders of Thy glory and power to all nations, but in a most exceptional and preeminent degree, far beyond all others, to this our own beloved country, look graciously down upon these Thy servants gathered together in this memorable hall of legislation. Enlighten their understanding with the rays of Thy wisdom, inflame their hearts with an abiding love of their fellow men, strengthen their wills to hold steadfastly, under all circumstances, to what is right and true and just, so that in their deliberations here and in all their activities elsewhere they may keep ever in view this threefold objective—the preservation of peace, the promotion of national happiness, the reign and supremacy of law and order in our divinely favored Republic.

We pray Thee, likewise, help us to take to heart and make effective in our life the sublime lessons of exalted patriotism and noble living taught us so strikingly and heroically by that immortal martyred President of beloved and sacred memory, the anniversary of whose birth we commemorate to-day.

We ask these favors of Thee, O God, through Jesus Christ, Thy Son, our Lord and Savior. Amen.

The Journal of the proceedings of yesterday was read and approved.

CALL OF THE HOUSE

Mr. RUBEY. Mr. Speaker——

The SPEAKER. For what purpose does the gentleman from Missouri arise?

Mr. RUBEY. Mr. Speaker, this is Lincoln's birthday, and we are to have his Gettysburg address read. I think the Members of the House ought to have an opportunity to hear it, and therefore I make the point of order that there is no quorum present.

The SPEAKER. Evidently there is no quorum present.

Mr. TILSON. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their name:

[Roll No. 33]

Aldrich	Fenn	Lanham	Robsion, Ky.
Andrew	Flaherty	Lee, Ga.	Rogers
Bacharach	Fort	Lindsay	Rouse
Beedy	Fredericks	Lineberger	Rowbottom
Berger	Free	Luce	Sanders, N. Y.
Black, N. Y.	Fuller	McFadden	Sears, Fla.
Bulwinkle	Funk	McSwain	Smithwick
Butler	Gallivan	Madden	Sosnowski
Carter, Calif.	Gambrill	Magee, Pa.	Stobbs
Chindblom	Gibson	Mead	Sullivan
Collins	Gilbert	Mills	Sumners, Tex.
Corning	Golder	Montague	Swartz
Cox	Graham	Morin	Swing
Cramton	Greenwood	Nelson, Me.	Swoope
Curry	Griffin	O'Connell, N. Y.	Thompson
Davenport	Hawes	O'Connor, N. Y.	Tincher
Davey	Hudson	Oliver, N. Y.	Upshaw
Dempsey	Hull, Tenn.	Peavey	Vare
Dickinson, Iowa	Hull, William E.	Perlman	Voigt
Dickstein	James	Phillips	Weller
Dominick	Johnson, Wash.	Quayle	Welsh
Drane	Kelly	Ransley	White, Kans.
Drewry	Kendall	Rathbone	Wood
Dyer	Kindred	Reed, Ark.	Yates
Esterly	Knutson	Reed, N. Y.	Zihlman

The SPEAKER. Three hundred and twenty-nine Members have answered to their names, a quorum is present.

Mr. TILSON. Mr. Speaker, I move that further proceedings under the call be dispensed with.

The motion was agreed to.

TERMINATION OF COAL STRIKE

The SPEAKER. The Chair desires to make an announcement, which he knows will be of great interest to the House. The Chair was informed a short time ago officially by the Secretary of Labor that the coal strike is finally settled. [Applause.] And that the parties have entered into a five-year contract. [Applause.]

LINCOLN'S GETTYSBURG ADDRESS

The SPEAKER. Under order of the House, Lincoln's Gettysburg Address will be read by the gentleman from Colorado [Mr. TIMBERLAKE], and the Chair will ask the gentleman to take his place at the Clerk's desk. [Applause.]

Mr. TIMBERLAKE (reading)—

Fourscore and seven years ago our fathers brought forth on this continent a new Nation, conceived in liberty and dedicated to the proposition that all men are created equal.

Now we are engaged in a great civil war, testing whether that Nation, or any nation so conceived and so dedicated, can long endure. We are met on a great battle field of that war. We have come to dedicate a portion of that field as a final resting place for those who here gave their lives that that Nation might live. It is altogether fitting and proper that we should do this.

But, in a larger sense, we can not dedicate—we can not consecrate—we can not hallow—this ground. The brave men, living and dead, who struggled here have consecrated it far above our poor power to add or detract. The world will little note nor long remember what we say here, but it can never forget what they did here. It is for us, the living, rather, to be dedicated here to the unfinished work which they who fought here have thus far so nobly advanced. It is rather for us to be here dedicated to the great task remaining before us—that from these honored dead we take increased devotion to that cause for which they gave the last full measure of devotion; that we here highly resolve that these dead shall not have died in vain; that this Nation, under God, shall have a new birth of freedom; and that government of the people, by the people, for the people, shall not perish from the earth.

[Applause.]